How to Forecast Demand to INCREASE REVENUE

A Quick Guide for multi-unit operators

HotSchedules®

Table Of Contents

1 What is LABOR FORECASTING?

The cost of labor can be managed very effectively when restaurateurs are equipped with the right training/education, tools and processes. Traditional methods for capturing critical forecasting data and formulating labor plans and budgets are incomplete and often inaccurate, rarely accounting for menu pricing changes or current economic conditions. Even when the best practices of forecasting are employed, the information isn't always available to the store managers who are attempting to manage the cost of labor.

They say that what you focus on expands. And the same is true for advanced labor forecasting. For an operation with the time and the people focused on finding bottom line savings through advanced labor tools, activity based forecasting can be one of the smartest labor tools you'll ever use.

The Cost of Unmanaged Labor Costs

We all know that labor cost is the number-two line item eating into a restaurant's budget. Wages and salaries typically slice out a third of the budget. Unplanned, uncontrolled labor costs take an even bigger bite from the budget pie in terms of overtime pay, employee dissatisfaction and even, morale.

UNPLANNED, UNCONTROLLED LABOR

1/3

RESTAURANT BUDGET

WAGES & SALARIES

LABOR COST

#2
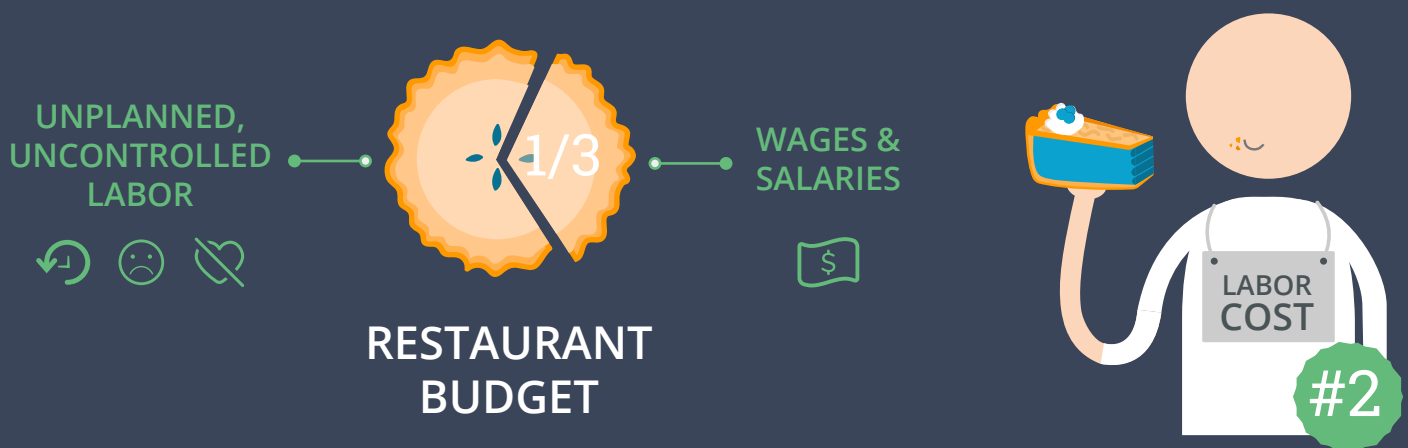
Understaffing and overstaffing? A fine balance.

Too many people in one spot? A budget drainer. Case in point: overstaffing dining room servers can mean your servers don't make as much money, you pay for their time in the store or you send them home.

That kind of erratic scheduling can lead to poor retention and low morale. They may look elated to get cut, but chances are they're simultaneously frustrated with the uncoordinated work schedules. Those small frustrations could rear their ugly head later, showing up in guest satisfaction, higher than average turnover rates, and other costly mistakes—things you simply can't afford.

With accurate labor forecasting based on activity and data, you can build efficiency, grow revenue and positively impact the restaurant's bottom line.

Labor is your Bread and Butter

What if you could put the right number of team members in place at the right time to serve your customers? And what if you could pinpoint staff needs for holidays and special times of the year so that you capture the benefits of that gangbuster business?

With accurate labor forecasting based on activity and data, you can build efficiency, grow revenue and positively impact the restaurant's bottom line.

2 Restaurant
LABOR TERMS

We'll dive into a high-level overview about labor forecasting. But first, lets review some helpful terms and definitions.

Actual Labor:

Labor that is actually worked. Generally available on the site the next day.

Buffer:

Allows you to play it safe by automatically adding labor to a forecast.

Forecasted Labor:

Calculated from the raw labor projections with regard to shift minimums or maximums. Forecasted labor is the shifts or hours that are created.

Head Count:

Number of team members needed (where the maximum and minimum come into play).

Maximum Head Count:

Maximum number of team members ever needed. (We recommend setting this high so that the system can show if sites are not currently scheduling enough labor.)

Minimum Head Count:

Minimum number of team members ever needed, regardless of projected labor drivers.

Hour Generation:

One of two forms of activity-based forecasting. When raw labor is generated behind the scenes, activity-based forecasting is used as a benchmark to compare forecasted labor against what managers schedule. Managers will continue to make their schedules (using templates, copying the schedules week-to-week, etc). Labor rules must be applied to the store, and permissions configured to use this feature.

Interval:

Time frame over which sales and the labor driver are counted. Thirty-minute intervals are the default, but this can be adjusted in the forecasting settings of the support site. Intervals are shown when a forecast is generated.

Labor Driver:

Labor drivers are a measure of activity and the basis for labor rules. Typically, labor drivers are guest counts, but they can also be entrées, deliveries, tables, etc. These are set up in the forecasting settings of the support site.

Labor Rule:

A labor rule is used when generating shifts or hours including, but not limited to, days and times labor is needed, and how many labor drivers to use. They are configured at the above-store level by group, and require grouped jobs, schedules, and revenue centers.

Optimal Labor:

The "perfect-world" labor calculated using actual labor drivers, such as guests, entrées, deliveries, etc. Optimal labor only will be calculated and available for days in the past.

Raw Labor:

Commonly known as Ideal Labor, it is calculated using historical labor drivers without regard to any shift minimums or maximums. This is ideally what we would bring in if we could schedule someone for one interval at a time. Raw labor will always be lower than forecasted labor.

Scheduled Labor:

Scheduled labor refers to what the manager actually posts. Even when shifts are generated, managers can edit the in and out times, so scheduled labor does not always equal forecasted labor.

Shift Generation:

One of two forms of activity-based forecasting. As with hour generation, raw labor is generated behind the scenes, but it is then converted to forecasted labor in the form of house shifts that can be applied to schedules. Labor rules must be applied to the store, and permissions configured to use this feature. Additionally, in forecast settings of the support site, "create house shifts" must be checked to generate shifts.

3 The Value Of Restaurant LABOR FORECASTING

National chains can gin up huge savings for the entire business just by running the right labor budget for each location. Even smaller chains can find value with a predictable labor mix. Just consider a 2.5% savings on your labor cost. Is your mouth watering thinking about putting those dollars to work on a new promotion or piece of equipment?

Here are more benefits of restaurant labor forecasting:

① BETTER FORECASTING

Predicts future sales and the labor needed to accommodate those sales using actual driver activity and rules specific to each restaurant.

② TIME-SAVING SCHEDULES

Generates suggested team member headcount, along with a bucket of hours or actual shift templates to use for scheduling based upon your corporate labor matrix.

③ PRECISE HOURS

Results in higher accuracy between forecasted, scheduled, budgeted, and actual hours.

④ COACHING

Enhances coaching and managerial training with the ability to show after-the-fact reporting (optimal staff volume/weekly progress).

4 Understanding LABOR DRIVERS

Let's touch on a main component of Restaurant Labor Forecasting. Whether you have fast casual, quick service and/or full service restaurants, you probably have a good idea of how many guests were served over a certain period, how much they spent, and what you paid the team members who supported guests at the front and back of the house. If you know these figures, you're well on your way to understanding what's driving profits.

As mentioned in the terms, Labor Drivers are sales drivers and a measure of activity, such as guests, entrées, tables, tickets, products and deliveries. For most restaurants, guest counts/volume is the most logical driver used in determining labor needs. Labor Driver Volume determines how many shifts and labor hours you need.

ABF

↑

DATA

Labor Drivers: Mine the Past, Predict the Future

HotSchedules Activity-Based Forecasting (ABF) uses data from the restaurant's point-of-sale (POS) or central management system to generate forecasted hours and shifts. By measuring activity and mining the past—that is, extracting historical data and events from the POS. You can apply the information to create hours and shifts accurately.
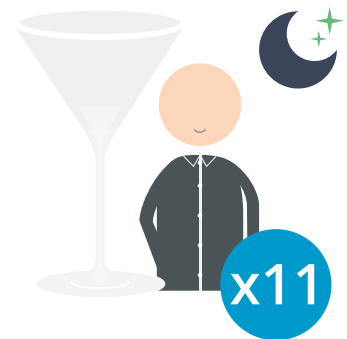
You should also be able to pull in drivers for various times of operation and revenue centers, such as the bar, carry-out, drive-though, banquet and dining room, to get a solid accounting of where you need staff.
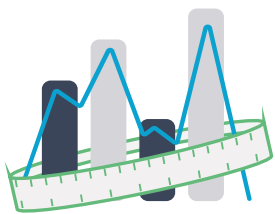
SALES AND GUEST DATA + **SMART LABOR ALGORITHMS** = **ACCURATE AND OPTIMIZED SHIFTS**

JUST A NOTE:

At least __eight weeks of historical or POS data__ (dropping the high and low volume) is needed in labor calculations. However, the last 57 weeks of data is preferable for optimal forecasting. After choosing the weeks, your forecast can be generated.

5 Using LABOR RULES

Setting Parameters

Like rules that govern games (and nearly every friggin' thing!), your labor rules set the parameters of your forecasts. Labor Rules contain the business logic behind your forecasting. To project the appropriate amount of labor, you'll need to create rules defining the days and times labor is needed.

Forecasting based on best practices allows for different rule sets. For example, create a primary rule based on the minimum number of employees for certain time intervals. Or, create a rule by which guest or entrée volume determine the number of shifts you'll need. Rules should be customized to a specific establishment and incorporate job codes, times/operating hours, days of the week, minimum number of shifts and other variables. And each job code (position) should accommodate multiple rules defined by volume or size.

1 MINIMUM AND MAXIMUM STAFF VOLUME

2 ENTREE VOLUME AND NUMBER OF SHIFTS

x100

x25
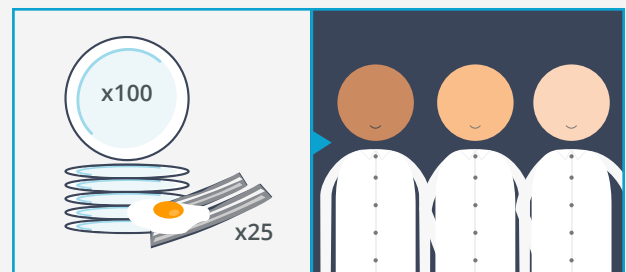
Some operators will find the need to hone and readjust their unique Labor Rules to mirror their brand's current system. Spending the time upfront on this step pays off, especially if you want to assign rules to various groups across multiple stores.

After specified, Labor Rules extract data from a Forecast and use the data to create shifts/hours. Apply the shifts/hours to schedule employees for a selected week.


Understanding, Using & Calculating Raw Labor

Have you ever assigned extra staff to work just in case? That's an expense few independent operators and national chains can spare. Why not be able to predict the absolute minimum staff necessary? And if extra people are needed, use historical data to make adjustments before making another schedule.

After you've prepped your Labor Rules, it's time to figure out Raw Labor, which is the number of employees you should schedule for each Job Code. This is ideally what you would bring in if you could schedule someone for one interval at a time or each interval of the day.

You calculate Raw Labor (remember, raw labor is how many guests/deliveries/products/table counts you project for the week) with projected information using historical Labor Drivers. In this case, you would not include any shift minimums or maximums.

You then, apply those Labor Rules to the projected Labor Driver amount to find your Raw Labor volume. It will always be a smaller number than Forecasted Labor. Your Raw Labor estimations can be turned into actual shifts/hours that ultimately help your managers build the schedule. The beauty of running every store off a Raw Labor budget is that it can produce substantial savings across the entire business.

EMPLOYEE   **RULES**

HOURS   **SHIFTS**

THE PERFECT SCHEDULE
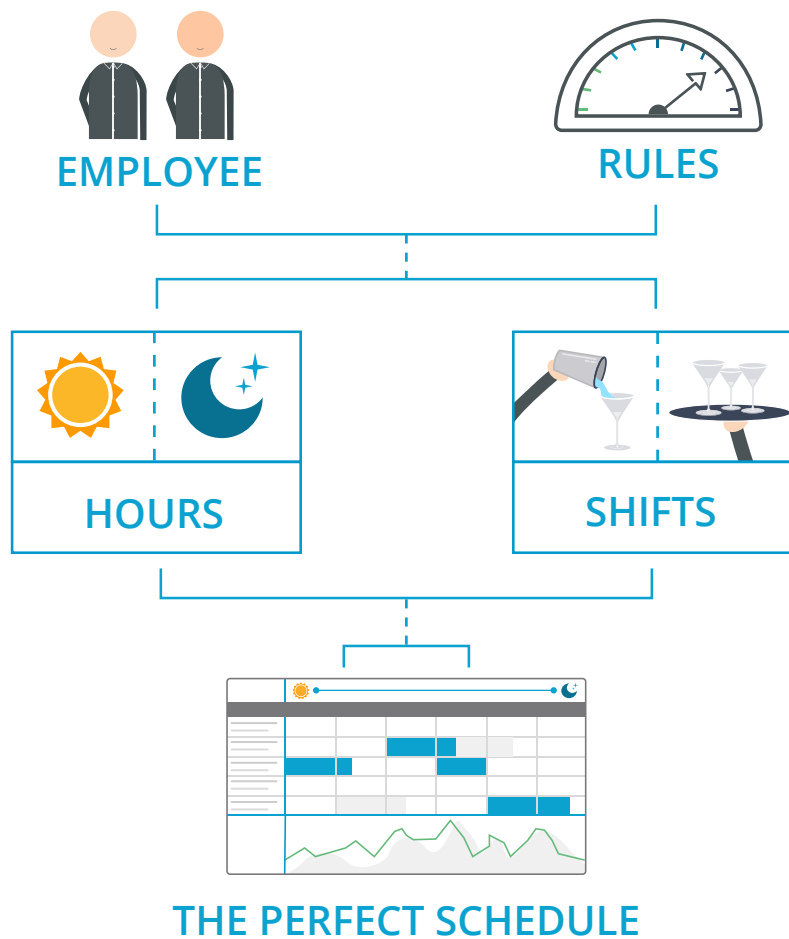
Raw Labor is the volume needed for each interval of the day for each Job Code based on your Labor Rules.

6 Three Simple Steps To
CREATE THE PERFECT SHIFT

Most restaurant operators hope for tangerine trees and marmalade skies when estimating their labor against sales volume, because it can be a guessing game. But with the groundwork you lay for Activity-Based Forecasting and a powerful restaurant schedule optimizer, you can achieve and run the perfect shift in the three simple steps we've outlined below.

① Generate a Forecast of Labor Hours

From historical data, select the weeks on which to base forecast trends. The HotSchedules Activity-Based Forecasting provides memos to note trend changes. You can also add existing productivity measures.

② Generate Shifts for the Schedule Using the Forecast

The HotSchedules tool suggests the team member headcount, hours or shift templates to use for scheduling based on the corporate labor matrix and Forecast.

③ Analyze Previous shifts for coaching opportunities

Show after-the-fact reporting, track optimal staff volume/weekly progress, and ensure shifts run smoothly. The Activity-Based Forecasting Module provides higher accuracy of labor hours and better labor projections. You can reevaluate restaurant assignments with rule sets and adjust rules for upcoming operational changes.

7 The View FROM ABOVE

How to See Labor Across All of Your Stores

Would you like an eagle's eye view of performance at all your restaurants and the ability to zoom in for a close-up on any unit? You can with the HotSchedules Above Store Console module. The tool magnifies the visibility and reporting potential of HotSchedules for multi-unit administrators. Detailed reporting on Labor, Sales, Forecasts, Logbook Entries and Schedule Status help administrators easily stay on top of operations.

Plus, planning meal periods and work breaks across multiple restaurants gets easier with the HotSchedules Meal Period Planning (MPP) tool, which is used within the Above Store Console. The MPP tool allows a corporate office to set rules and assign breaks for employees, let's say, at all of the California restaurants.
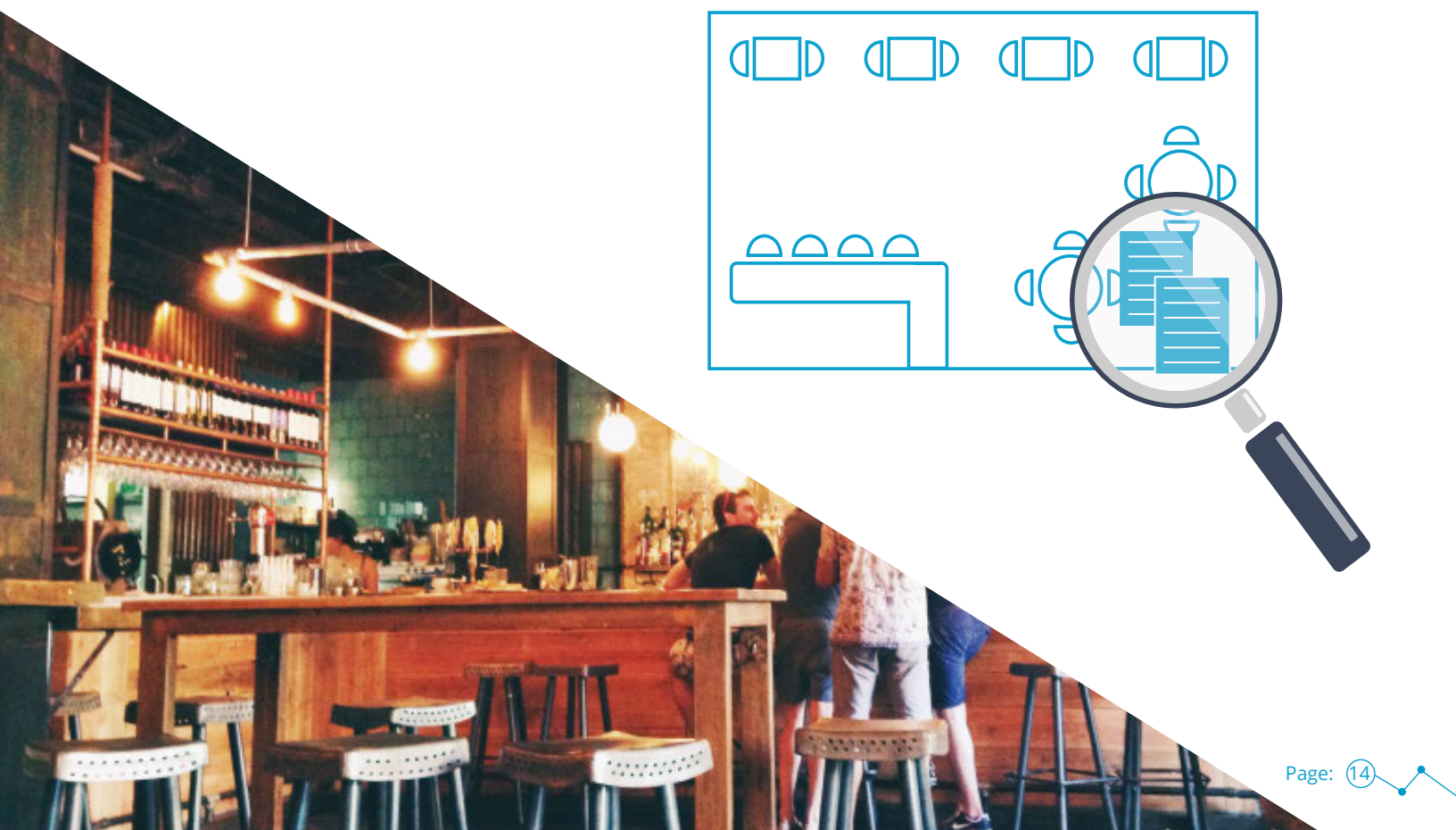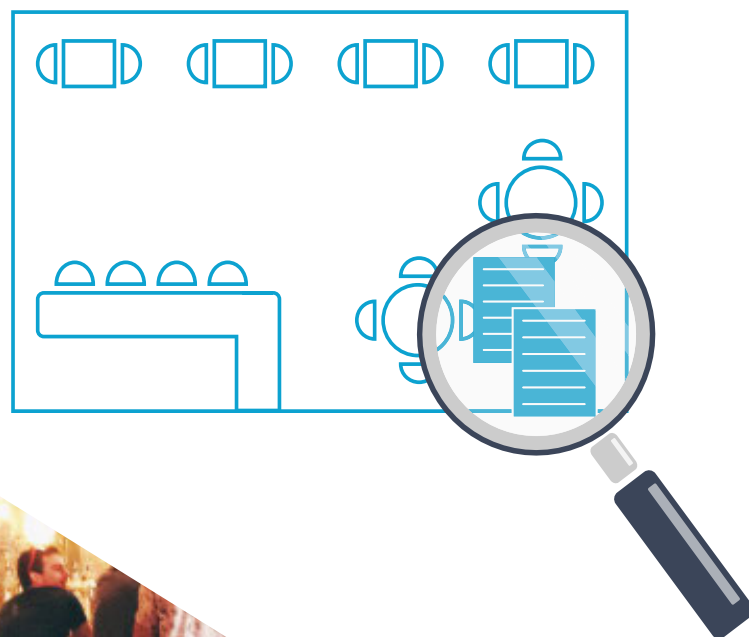
Reporting

Meal and Break Planning: Configure mandated meals and breaks directly from the Above Store Console. Identify required times and automatically create shifts to cover.

Labor Reports: View detailed labor information for all stores or drill down to specific sites.

Overtime Warnings: Get a summary of overtime.

Scheduled Reports: Find the reports that matter most and schedule them to arrive in your email when you want.

Sales reports: See actual/projected sales and how they vary.

Communication

Create/edit surveys and communicate their results company-wide.

Share videos and announcements for viewing when employees log in.

# Administrative

Multi-unit access: A single login provides access to all locations.

Permission Sets: Create/edit permission sets for employees and managers.

Group Hierarchy: Define regions or districts for ASC users.

Logbook Access: Edit, view and create Logbook entries for any location.

8 A Powerful COMBO

HotSchedules Labor Forecasting and Above-Store Reporting

Your operations left spreadsheets in the dust a while ago. Schedule templates alone are almost in your rear view because you now crave an easier, more efficient alternative. Which means your mature, multi-unit organization is now ready to move to a sophisticated, analytical toolset for restaurant labor management. And because business models, menus and standard operating procedures change, you need an advanced system to tweak labor to sales volume at the individual unit level.
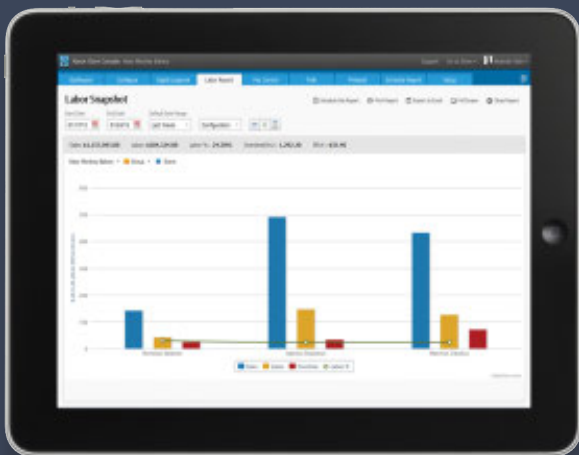
As mentioned, Activity-Based Forecasting projects future sales and the labor needed to accommodate sales using driver activity specific to each store. HotSchedules Activity Based Forecasting and the Above Store Console modules allow you to combine your unique business rules with historical data for smart labor modeling. Then, preview your forecasts, make adjustments and monitor performance with detailed reporting options.

The combination of powerful labor forecasting tools will fit many restaurant models and incorporates best practices for restaurant schedule management that we have covered in this eBook. In essence, you'll be able to:

- Generate forecasts
- Optimize labor and shifts
- Estimate sales and labor with historical data
- Use labor metrics and key performance indicators as opportunities to coach managers and improve schedules.
- Choose any combination of weeks on which to base your trends
- Keep track of and easily adjust labor projections versus actuals
- Stay informed with valuable reports such as staff volume chart, overtime report and weekly progress report
- Create shifts automatically based on forecasted data
- Communicate changing forecasts and trends from one shift to the next—keeping all managers informed

There's evidence on record that multi-store operators who use a labor model achieve lower overall labor costs and better shifts with less manual effort.

There's evidence on record that multi-store operators who use a labor model achieve lower overall labor costs and better shifts with less manual effort. In this eBook we've dished out some concepts and tools about Restaurant Labor Forecasting that optimize labor volume, performance and costs. You must be staffed properly to meet needs and grow the business. So it's about modeling your labor predictably. And that's a powerful place to be.

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