Cloud ERP Delivers All Courses for Restaurants Seeking Efficiency

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With a unified business solution on their side, restaurants can focus on what they do best: delighting diners with excellent experiences that keep them coming back for more.

Focused on improving efficiencies, maximizing labor and enhancing the guest experience in an extremely competitive industry, today's restaurants are increasingly turning to technology to help them achieve these and other organizational goals.

From tabletop iPads that take guest orders, to digital menu boards that can be changed quickly, to bluetooth temperature sensors that keep food safe, technology is impacting how restaurants do business, both at the front and back of the house.

This white paper reviews the development of the restaurant industry, explains the challenges of running an efficient operation, and explores how a unified, cloud ERP enables good labor and how COGS management improves efficiencies and enhances agility.

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Winning in an $863 Billion Industry

Whether they're adapting to guests' everchanging preferences, finding new ways to differentiate themselves in the market or competing with new at-home options (e.g. meal-kits and prepped grocery selections), restaurants that want to gain guest loyalty and wallet share have to think differently than they did just 5-10 years ago.

An $863 billion industry that includes more than one million establishments and whose employees comprise 10% of the overall U.S. workforce, the restaurant industry employs 15.3 million people—an employment number that's expected to increase by another 1.6 million by 2029, according to the National Restaurant Association.

As the industry continues to shift, restaurants across all categories are implementing more technology. According to the National Restaurant Association, more than eight in ten restaurant operators agree that technology gives them a competitive advantage, with many of them ramping up their investments in front-of-the-house technologies like online/app ordering, mobile payment, delivery management and reservations.

Recognizing the value of technology, these establishments are implementing both back-of-house technologies like inventory, scheduling and labor management, and customer-facing functions that include point-of-sale and table management.

"Consumer demand for greater convenience and speed will continue to accelerate, and restaurants are responding by adopting and incorporating more sophisticated layers of technology into day-to-day operations."

Hudson Riehle, Senior VP,
National Restaurant Association

Organizing All of the Moving Parts

Keeping up with emerging technology trends is challenging for any industry, and the restaurant sector is no exception. Expected to balance consumers' changing technology expectations with rising food costs and a capacity-constrained labor market—all while pleasing guests and turning them into repeat customers—both quick-service and full-service restaurants are facing unique pressures in today's marketplace.

"Food service is a low-margin business so managing costs is everything," said Brady Thomason, Oracle NetSuite's Solution Manager, Restaurant and Hospitality. With their two prime costs being labor and the cost of goods, restaurants are run by different people across various roles—a reality that can dry up margins very quickly.

"There are a lot of moving parts in a typical restaurant, where everyone works toward providing a great product and guest experience," Thomason said. Organizing those moving parts is challenging in an environment where labor has to "flex" during certain seasons, on specific days of the week and even throughout the day. A quick-service restaurant located in a business area, for example, might get busy during rush hour and then once again for lunch. A full-service establishment may be busiest at night, on weekends and on holidays.

"The bell curve for a restaurant is different than what you'd find in most organizations," said Thomason. "As guests come into the restaurant at peak times, the restaurant's labor bell curve has to match it." In order to schedule labor accordingly, food service establishments must be able to accurately forecast their labor needs for the next day, the following week and even next month. "The restaurant's labor picture flexes more than most other industries," Thomason said, "and particularly those that use the same daily schedules."

Other challenges currently keeping restaurant operators up at night include the proliferation of online ordering, mobile payments, and third-party delivery options like GrubHub, DoorDash and Uber Eats.

Restaurants' delivery sales are projected to increase at more than three times the rate of on-premises revenue through 2023, with the majority of that being driven by digital orders, according to L.E.K. Consulting.

Overall, digital delivery sales are expected to increase at a compound annual rate of over 22% through 2023, the company reports. To keep pace, 37% of establishments offer online ordering and 32% accept mobile payments. A relatively new initiative for most restaurants, online ordering and delivery require a different infrastructure (namely, delivery drivers and vehicles) that companies can either handle internally, outsource to a third party or handle with a hybrid approach.

To achieve the latter, restaurants also need unified technology platforms that take all the customer facing data, feed it back into a single system and then provide the intelligence needed to run the establishment as efficiently as possible.

> "They're trying to figure out what makes the most sense for their restaurants, and what will ultimately help them provide the best guest experience possible."

Brady Thomason, Solution Manager, Restaurant and Hospitality, Oracle NetSuite

Unraveling the "Hairball"

Historically, restaurants have relied on a patchwork of technology systems to run their operations and offset these and other pressures. Accumulated over time, these technology systems became point solutions as capabilities were added to the companies' frameworks.

Smaller restaurants rely on a combination of QuickBooks for financials and spreadsheets for critical functions like inventory management. Many have also added industry point of sale (POS) solutions like Compeat (for financials), with larger establishments also using Microsoft Dynamics and Intacct.

Adding to the confusion are the number of point solutions that restaurants use for labor scheduling, inventory management, customer relationship management/guest engagement and reservations. "In most cases," Thomason said, "these many disparate systems converge into one big hairball."

As those restaurants grew by adding locations, new concepts and/or new employees, these approaches have only become more and more disparate and unconnected. By moving to an integrated solution, the same establishments can effectively run both the financial and operational sides of their business across multiple locations using a single, central platform.

With one technology platform for their entire enterprise, smart restaurant operators are leveraging system integration as a vital tool for long-term success. Guzman y Gomez is one such food service company, an Australian-licensed and casual dining restaurant chain which previously used MYOB accounting software that couldn't support its thriving business.

Data collection and reporting with Guzman y Gomez' previous standalone applications was difficult, time-consuming and error-prone. The company also lacked visibility across its fragmented IT environment that was slowing down its business processes and jeopardizing development.

By implementing NetSuite's unified solution, Guzman y Gomez now avoids standalone data silos and the hassle of integrating best-of-breed applications. Multi-entity reporting in NetSuite OneWorld helps the company manage franchises and restaurants as separate accounts while maintaining cross-entity visibility. And with NetSuite's modular architecture and customization capabilities, Guzman y Gomez now has a continuously-evolving solution that meets its business needs across multiple locations worldwide.

"We've been able to manage significant growth while maintaining a five-person financial team. That's really a testament to the power of the NetSuite platform." Guzman y Gomez

6 Ways Cloud ERP Makes Restaurants Efficient

In an industry characterized by low margins, fierce competition and high market noise, cloud-based ERP is the recipe for success for an increasing number of restaurant chains. NetSuite offers cloud technology and industry-specific knowledge that help food service companies dramatically improve their business agility in many different ways. Here are six industry-specific advantages that all restaurants benefit from:

Inventory Management

The typical restaurant deals with hundreds of highly-perishable ingredients, inventory that's constantly in flux and large order volumes. This makes good inventory management table stakes for food service, where the cost of goods is one of just two prime costs (with the other being labor). "Restaurants have to drive down costs and they can't do that without good inventory management," said Thomason. Using NetSuite, restaurants can conduct cycle counts efficiently, drag and drop items onto their count sheets (aka, "shelf to sheet"), and get very high levels of inventory visibility.

Actual Versus Theoretical (or "AvT") Reporting

To effectively drive down cost of goods, restaurants can analyze their Actual versus Theoretical usage using out-of-the-box reporting in NetSuite. For example, a Cheese Pizza is theoretically made from eight ounces of dough, two fluid ounces of sauce, and four ounces of cheese. If a cook over-portions those ingredients, it creates a variance between actual and theoretical usage. "Tracking this variance with NetSuite's AvT functionality allows operators to quickly pinpoint and solve real issues (over-portioning, waste, spoilage, theft, etc.), which directly reduces their food and beverage costs," Thomason explained.

Labor Management on the Fly

Operating dynamic workforces in a tight labor market, today's restaurants need key performance indicators (KPIs) that provide insights into historical trends. That way, they can adjust their labor on the fly and alleviate pain points like having to staff up for peak times of the day, week or month. If the day's sales are down, for example, then the restaurant can adjust its labor plan to avoid overspending on payroll. NetSuite provides those insights via KPIs and reports that companies can use to make labor decisions that ensure the best coverage for the least amount of money.

Quick Deployment for New Locations

When it's time to open a new restaurant, the company that's been using disparate technology systems and a "hairball" to run its operations will quickly find itself struggling to manage multiple entities. "The more systems and point solutions that a restaurant is using," Thomason said, "the more difficult it is to deploy a new restaurant." Through a direct integration with MICROS, NetSuite effectively combines POS and ERP in "Restaurant in a Box," a model that provides easy deployment for new locations. The solution also enables data segmentation and dissection across different restaurant concepts. For example, the chain has 10 full-service Italian restaurants and five quick-service sandwich shops that can work from a single, consolidated system but also report on each of those concepts separately.

Waste Management

Restaurant operators manage a dynamic, highly-perishable inventory and have a unique requirement to effectively decrease waste. Servers that drop their trays, cooks that burn batches of food and other mishaps only add to the problem and make good waste management an imperative for the food service industry. Using NetSuite, restaurants can track waste within their systems, get both management and corporate involved with the waste management process, and implement plans for reducing it as much as possible.

Guest Case Management

When a guest calls or emails a restaurant about a problem, the company must be able to retrieve and use that feedback to solve the immediate problem and make changes to ensure that it doesn't happen again in the future. Even basic requests like, "Can I get a copy of my receipt from dinner last night?" are handled quickly with NetSuite's resolution functionality, which builds case routing rules and uses escalations and rerouting to manage this customer-centric process. "This is a big plus for restaurants," Thomason said, "and one that a lot of NetSuite users don't even realize that they're going to get."

A 360° Restaurant Management System

When restaurant operators start shopping around for ERP systems, most of them are looking for a better way to consolidate their company's financials. More specifically, they want a financial management system that their accountants and controllers can use. During this process, the store-level operator doesn't usually come into the picture but that person can benefit greatly from the prebuilt roles and dashboards that are native to NetSuite. "The system is designed so that multiple store-level operators can use it to perform their day-to-day functions," Thomason said. "Those users can specifically see what's important to them and use that information to run their restaurants more effectively."

Delighting Diners With Remarkable Experiences

As the restaurant industry continues to scale, the number of challenges that operators face in the competitive industry will also expand. With technology on their side, restaurants will be able to effectively overcome these obstacles while also broadening their concepts, adding more guests and operating more efficiently.

To make that happen, restaurants need unified business systems that are designed with them in mind and that incorporate the SuiteSuccess methodology, offer short implementation times of 120 days or less, and create fast return on investment.

With NetSuite, restaurants can focus on delighting diners with a remarkable restaurant experience and not on troubleshooting disparate IT systems.