

KEYS TO CONTROLLING LABOR COSTS



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Keys to Controlling Labor Costs

Fine-tuning Your Balancing Act

Controlling labor costs is a balancing act - a process of monitoring and adjusting several variables simultaneously. Why focus on controlling labor costs? If you're not paying attention, the cost of labor could be a significant drain on your profits. After food and beverage expenses, it's the second-highest cost in the restaurant business. Monitoring and managing labor costs is critical to your restaurant's profitability.

Understanding the Numbers

Industry standards suggest costs for hourly employees should be between 20 to 25 percent of a restaurant's total sales. How does your restaurant compare to this guideline? To figure your labor costs, take the amount needed for payroll and divide by total sales. For example, if total sales for the week are \$15,000 and payroll is \$3,000, your labor costs are exactly 20% ($3000 \text{ divided by } 15,000 = .20 \text{ or } 20\%$) - right on target.

When you analyze your numbers, it becomes obvious that by carefully monitoring and controlling labor costs you could save thousands of dollars. For example if total sales are averaging \$75,000 per month, reducing your labor costs by anywhere from 1% to 5% could mean savings of \$750 - \$3750 per month - or \$9000 - \$45000 annually.

But you do not need to be a math whiz to stay on top of your labor costs. You can rely on your POS system to handle all the number crunching for you.

A robust POS system can give you all of this data - and more - on an ongoing basis. You can look at sales and labor, not just for a particular dinnertime on a specific day of the week, but at intervals throughout that particular meal period. In addition, this information can be provided in real-time with alerts set so you can take immediate action and cut extra employees if necessary, when sales are weak or profits have fallen below a specified amount, while at the same time ensuring that there is sufficient staff to provide your customers with good service. Monitoring your costs and adjusting staff accordingly is one of the first and most basic steps you can take to control your labor expenses.

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Developing a Proactive Strategy

Ideally, however, controlling labor costs should be much more proactive than reactive. Fortunately with the information available through today's POS systems, you have the opportunity to develop a more comprehensive strategy for managing labor costs. By taking advantage of the precise forecasting tools available today, you can see estimated sales for any day, each hour - and even every 15 minutes. By using this information, you can strategically schedule kitchen and wait staff more accurately than ever before.

In addition, you can take advantage of the historical data available through your POS system to anticipate scheduling needs during holidays and other seasonal trends. A forecast report can provide the information needed to schedule precisely the right amount of staff during the summer when your patio is open or over Christmas and New Year's Eve. You can also use this information to help prepare employees for the increased demands of the coming holiday season or the week when a local event will require your staff to be at the top of their game.

Employee Performance

Another place to focus when developing a plan to control labor costs is time and attendance. You can begin by checking hours worked against the schedule. Then look at when employees are clocking in and out and if they are respecting the time limit set for breaks. A good POS system can easily provide this information along with sales generated by each employee. You also can take advantage of POS system features like those that prevent employees from clocking in early or taking an extra long break.

Performance reports can be generated indicating the hours worked for each employee, the sales they produced and the number of guests processed. Other reports include:

- sales per division or category,
- a check report,
- a counter report,
- an activity report,
- an open table report,
- a workstation report, and
- current or previous shift reports.

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Armed with this kind of detailed data, you can sit down with individuals and conduct performance reviews more frequently and also proactively meet with your employees as a group on a regular basis. Consider setting both individual and team improvement goals along with bonuses or rewards for hitting the target. Bonuses and rewards can be monetary or something more creative - for example two movie passes for every employee who goes 30, 60 or 90 days without an absence, tardy or extended break. As you continue to monitor performance going forward, be sure to publically praise positive results. In addition, you may want to give your employees access to generate and view certain reports like the Server Financial Report, so they can track their own stats.

Employee performance information also can be used to schedule your staff more carefully. It's a waste of your labor resources to have all of your highest performers scheduled during the same shift. Ideally, you want to spread out your best performers, scheduling just one or two per shift, so they can help set the pace.

Avoiding Overtime

Where else can you look for dollars? Overtime is another potential drain on labor costs. This is also an instance where you can take advantage of the data and management tools available through your POS system to improve results. You can use your POS system to monitor overtime and make adjustments to the schedule as needed.

In addition, your POS system will allow you to set different pay levels for overtime. For example, you might want to establish one rate for hours worked above 44, but less than 60, and another for 60 hours and over. You also can establish one rate for hours over 8 in one day, but less than 10, and a second rate for hours over 10. There is a lot of power available through your POS system to help you control overtime costs, so you will want to be certain you're fully utilizing these features.

You will also want to be sure to take advantage of the productivity tools and automation capabilities available through your POS system to save time and maximize efficiency from the front to the back of your restaurant. For example, on the front end, by using handheld devices you can process tableside orders much quicker and do some line busting when needed. In the kitchen, video display systems can speed up order preparation. Other applications, such as those that can check table status, manage the wait list, handle online carry-out orders and reservations or automate confirmations, also can help to free up more staff time.

On the business side, there are numerous processes that can also be automated to save manual work. For instance, your POS system can be integrated with your payroll processor to achieve full automation - from scheduling, to time reporting, to payment. Inventory, ordering, accounts receivable and payables also can become fully automated functions saving time and money.

Did you know?

Your Workers Compensation premiums can be another good place to look to save hundreds - to thousands of dollars every year. Get a quote online in less than 5 minutes at: <http://maitredwc.herokuapp.com>



Cross Training

Cross training can be another key to controlling labor costs. With a wider range of skills and the ability to work in several areas of a restaurant, you may be able to schedule less staff while still meeting your service standards. For example if your prep cook can also handle the grill in a pinch, your hostess can back-up your servers if needed or someone on your wait staff can work behind the bar on a night when you're not that busy, you may be able to stretch a smaller staff to cover all bases. This way on a slower night you won't have to schedule a bartender because the server can also take care of drink orders, or a smaller kitchen staff can handle all necessary food prep areas.

Training is also another area where you can rely on your POS provider and system to help carry the load. From user manuals and documents that can be customized for your specific POS set up, to instructional videos, to graphic recipe displays and preparation instructions for kitchen, bar and wait staff, the right POS system can be your partner in training and cross training your staff.

In addition, your POS system can also help you to manage and track staff, who have been cross trained and assigned multiple positions. These employees can be designated with separate roles, which they can use when they sign in and out. They also can use their log in information to access different POS terminals - in the bar or in the dining room or on the patio - as needed.

Bottom line

In the end, it's pretty clear; managing labor costs is not about doing any one big thing right. It's much more about paying attention to numerous smaller things. Fortunately in today's restaurant world your POS system can be a huge asset in helping you to stay on top of these multiple variables, so you can fine-tune your labor control balancing act and increase your profitability. Although managing labor costs is never going to be at the center of running a restaurant, you don't want to risk ignoring the issue and leaving money on the table either.

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Learn more about POS.

Consider this tip sheet just the beginning of a fruitful POS process. To learn more about selecting the right POS for your restaurant or restaurant group, talk to a Maitre'D expert at 1-888-404-2662 or visit us online at www.maitredpos.com.

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