



10 Ways to Increase Restaurant Profitability



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Introduction

Labor costs. Staffing shortages. Supply chain issues. This is the new normal that restaurants must conquer to achieve sustained profitability.

Managing inventory and people in real time is complex. Predicting future demands is even more challenging. But with the right strategies and technology in place, you can simplify the chaos of workforce and product management to Conquer the Day.

Operating a lucrative restaurant requires you to examine ways the restaurant can:

- Increase efficiency – Where can you reduce administrative time? How can you streamline processes?
- Increase sales – Which promotions are working? How can you improve the customer experience?
- Reduce costs – What are your areas of expenditure? How can you reduce these costs?

In crafting a plan to achieve your profitability goals, there are two areas of opportunity to examine:

- Workforce Management– With the proper workforce management strategies in place, you can hire faster, schedule to match demand, drive down labor costs, and increase sales.
- Product Management – With the proper product management strategies in place, you can control food waste, better manage P&L, and create strong supplier relationships.

This guide outlines actions you can take to run your restaurant more efficiently. From managing inventory and engineering your menu to engaging employees and optimizing scheduling, learn 10 ways to improve your restaurant's bottom-line.



Workforce Opportunities

Labor is not only one of the largest expenses a restaurant faces but often the most unstable because of over and understaffing. Ranging from 25%-35% of sales, labor costs include not only hourly wages and salaries, but also related costs such as benefits, vacation, sick pay, payroll taxes, and overtime pay.

Luckily, it's also an area of great opportunity as streamlining your administrative tasks and optimizing and empowering your workforce can significantly impact your profitability.

1. AI Programmatic Bidding

Hourly hiring remains a top priority for operators, but finding high-quality applicants and managing sponsored job postings is a time-consuming and daunting task. And with popular job boards beginning to evolve their sponsored post programs—resulting in higher ad spend costs—recruitment challenges and expenses only continue to grow. But with the proper Applicant Tracking System (ATS) and AI-powered programmatic bidding, you can reduce your cost per application, increase quality application volume, and lower your cost per hire.



Reduce cost per application

Automatically optimize sponsored job postings to be on display during high-traffic timeframes, increasing the number of high-quality applications you receive.



Increase application volume

Using conversion data generated by tracking the source to hire of every candidate, AI programmatic bidding will automatically reserve your ad spend for job boards you have been most successful on.



Lower cost per hire

By using AI programmatic bidding you will receive more qualified candidates from sources that best align with your needs. This results in an improved return on investment for your advertising expenses and a decreased cost per hire.

2. AI Labor Forecasting

Traditional forecasting is time-consuming and subjective, resulting in frequent and costly errors. Using data-driven AI to create accurate and predictable labor forecasting and scheduling models, however, gives restaurant operators a powerful tool to manage ever-changing swings in demand while fighting inflation and razor-thin margins.

AI labor forecasting uses machine learning algorithms to analyze millions of internal and external data points, including years of historical sales data, promotions, holidays, and more. This extensive analysis is automatically calculated, removing common industry issues like manager turnover and human biases from the equation, resulting in a more accurate demand forecast that continues to learn and improve its calculation day by day.



**Always staff to meet demand**

By building schedules to meet future demand, you can maintain peak efficiency across all your locations. AI forecasting equips all restaurants and managers with predictive, actionable insights into future demand, allowing you to lower and stabilize the labor budget by avoiding overstaffing, resulting in unnecessary labor spend, and understaffing, resulting in overtime pay and poor guest experiences.

**Improve the manager experience**

48% of food service managers say they feel burned out on a daily basis while 1 in 2 workers quit because of burnout. Empower managers with AI forecasting so they can spend less time in the back office and more time doing the work they love—creating exceptional guest experiences.

3. Schedule Flexibility

While it may seem counterintuitive for the hospitality industry, restaurant employees value flexible work schedules as much as their corporate counterparts. Not only do they appreciate receiving their schedules more than a few days in advance, they want to have the option to adjust the schedule once published.

The ability to easily swap, drop, and pick-up shifts is table stakes when it comes to retaining frontline workers. If this can be accomplished from a mobile app, it's even better! It's ok to require manager approval on shift changes, but employees need an easy way to put in these requests.

It's also imperative to improve ease of communication between employees and their managers. Restaurant and hospitality employees are 5x more likely to quit in their first 90-days over miscommunication. Look for workforce management solutions not only offering schedule flexibility, but communication tools like direct messaging, group messaging, and broadcast announcements.

Proactively manage holidays and absences.

Get the right systems in place to properly record staff time off and calculate the associated costs. By understanding your team's availability and required time off you'll always stay compliant with legislation and be able to set the right staffing levels. And by always keeping absence records up to date, you'll be able to manage underperforming team members.



4. Employee Engagement

With the time and effort it takes to recruit and train a new team member, it's easy to see the financial impact of high staff turnover and why doing everything possible to retain your best staff is so important.

At best, unengaged employees will simply turn up and do the job on a day-to-day basis. At worst, they'll be a negative influence on other members of staff and negatively impact the customer experience.

Engaged employees are more productive, less likely to be absent or to leave. They go the extra mile, become brand ambassadors, brainstorm and share ideas, give feedback openly and feel a sense of achievement.

Companies that address employee engagement see customer satisfaction rise 10 percent and sales grow by 20 percent on average, The Gallup Blog reported. And, because they're receiving a better service, customers are more likely to spend more and become repeat customers.

Asking for feedback is one of the best ways to engage your teams. Workforce management solutions that offer anonymous pulse surveys and end-of-shift surveys will give you an easy opportunity to ask for regular feedback while keeping a pulse on satisfaction and happiness levels.

5. On-Demand Pay

69% of hourly employees admit living paycheck to paycheck; 70% say financial stress has a direct impact on their physical health, and 79% worry about personal finances while at work. This presents a major obstacle for the restaurant industry. To better develop leaders to support future profitability and reduce turnover, businesses must address the challenges faced by their employees head-on.

With on-demand pay programs employees can access a portion of their earned wages before payday, often at no financial risk to the employer.



Earned Wage Access

95% of employees prefer working for an employer that offers earned wage access, and nearly 80% of hourly employees are willing to switch employers for the same reason. It's clearly a great retention strategy, but the benefits don't stop there. Employers using earned wage access also experience a decrease in unplanned absenteeism and an increase in shift pickups.

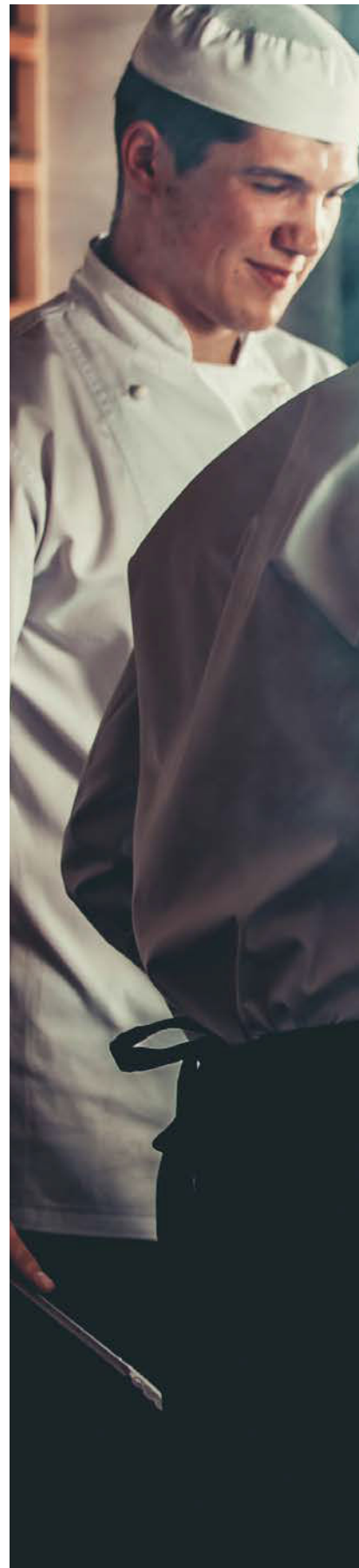


Tip Pay Out

75% of consumers prefer to pay their bill with a credit or debit card over cash, so how can operators continue to bear the burden of cash tip payouts?

With digitized tip payout solutions, employees can select their preferred payout method, for example, having their tips transferred to their bank account. This not only makes it safer for tipped employees as they clock-out and head home but reduces the employer's dependency on cash.

Key benefits to adopting a digital tip pay out process mostly center around cost; specifically, the removal of the costs associated with cash collection for delivery, insurance, and manager time (labor). Managers no longer need to spend time cashing out at the end of the night or when individual shifts end, which means no more working out tips, counting tips, or distributing tips.



Product Opportunities

There are several ways you can create efficiencies and reduce costs of products purchased for your establishment.

6. Manage Waste

Food waste in a restaurant happens for a variety of reasons including out-of-date stock that needs to be destroyed, items dropped or spilled, and food leftover by a customer.



Start tracking waste to identify where savings can be made

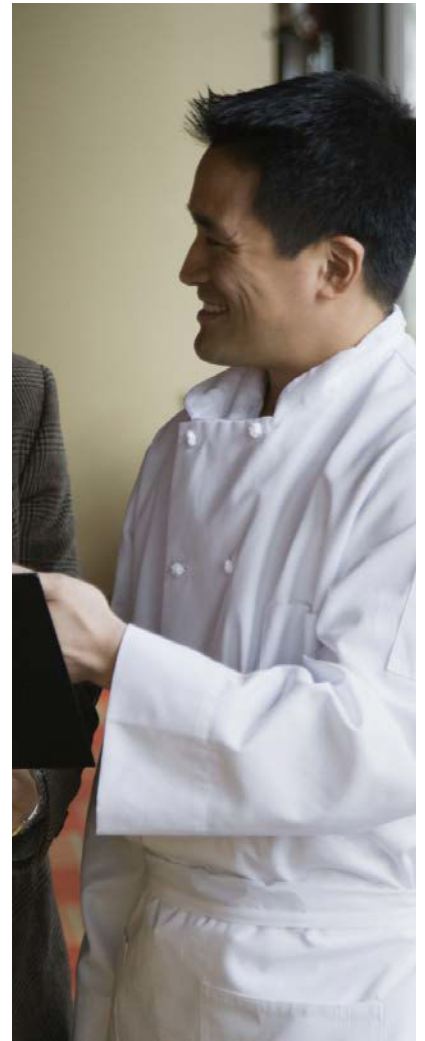
Perhaps a dish on your menu is regularly unfinished by customers, suggesting that the portion size could be too large, or an ingredient is frequently being thrown away because it's going past its use-by- date, indicating that too much is being ordered. By gaining a good understanding of exactly what food is being wasted and why, you can identify the issues and see where savings can be made.



Take the guesswork out of the popularity of your menu items

Learn what's selling and what isn't with reliable reporting. Understanding the relative popularity of menu items and plotting this against their profitability can reveal the sweet spots – the dishes that your customers want and that make you money.

Tight control over your stocking policy will ensure a close connection between sales and purchasing. Sites can only order products that go into dishes that are actually being sold. Procurement technology virtually eliminates rogue purchasing of products that are not needed for your current menu.



7. Engineer Recipes and Menus

The food you serve and the menus you create need to drive demand and deliver profitability. Menu engineering is the process of creating a collection of recipes to form a menu for your business, while accounting for potential costs, waste, sales, and profitability. Automating this process and moving it from spreadsheets to a menu engineering tool supports increased profitability.



Ensure profitable menus

Gain an understanding of which items are your best sellers and which items give you the most profit - and learn how increases in ingredient prices impact your menu. By examining your menus and how they are performing, and by using 'what if' scenario building to see what impact changes might have, you can identify areas where savings and improvements can be made.

Performing a historical sales mix analysis allows you to create restaurant menus and recipes that are not only highly popular with your customers, but also make a profit.



See the impact of changing ingredients

With the right system, your chefs will be able to see how different options will affect the cost of creating dishes, and the margins that can be achieved - allowing them to find creative options that make commercial sense.

Another common mistake is creating a recipe with an ingredient that you don't use anywhere else on your menu. Using an unusual ingredient in only one recipe on your menu increases your chance of wastage if the dish is rarely or never chosen.



Give customers what they need to know

Once you have your menu set, you need to make sure that the information is available to your prospective guests. Menu publishing improves the customer experience by providing everything they want to know. Visiting websites and apps is an essential part of deciding where to eat out and automating the publishing of menus to websites and apps helps increase your profitability.



8. Manage Inventory

Food and drink is typically the highest cost after labor in a hospitality business's P&L - so counting stock is an essential part of every operation. You need to know what you've bought, returned, and sold. Good stock accounting should also link to invoice and credit management so you can understand the value of your stock and know precise numbers for cost of sales, profit, and revenue.



Buy only what you need

Build accurate forecasts, supported by precise stock counts – and integrate with POS feeds to make sure you connect back-office activity with front of house demands. It's also a good idea to report stock accounting on a weekly basis. An integrated system can deliver fast and accurate reports and produce an efficient, accurate stock valuation for each location.



Eliminate paper processes

Stock accounting traditionally depends on manual processes that are often inaccurate. This makes it virtually impossible to identify variances and measure the real performance of an outlet. With a mobile counting app there's no need to print count sheets and rekey data. Staff can count even when there's no mobile signal: the data is uploaded to the system once they're back on the network.

9. Optimize Purchasing

As a restaurant, the goods that you purchase are a direct reflection of your business – so you want your purchases to be high quality items with timely delivery – and you also need them to be ordered according to need and within pricing agreements.



Do away with rogue purchasing

It's not uncommon for restaurants to make ad-hoc purchases from multiple local suppliers rather than weekly orders from a smaller number of key, approved suppliers. Ad-hoc purchasing is more expensive and means that you are missing out on potential rebates when spending thresholds are met.

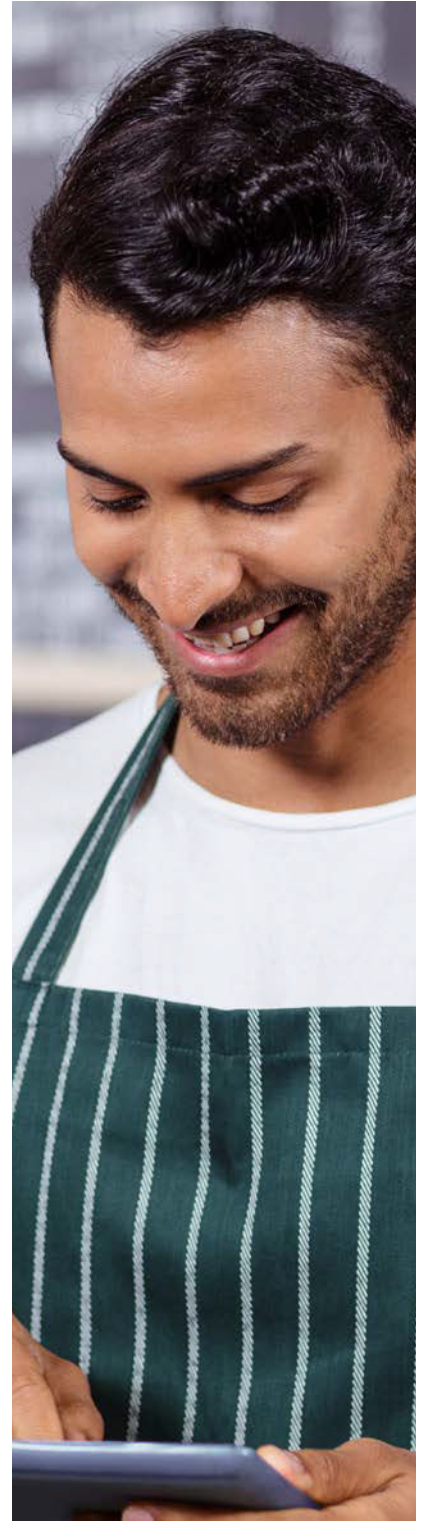
- Enact a process that ensures purchases are made from approved suppliers.
- Use procurement technology to lock down supplier lists, ensuring that all sites can only purchase from specified companies.
- Use your ordering system to set the supplier delivery schedule, so that any order placed outside the schedule is rejected.



Eliminate paper from the entire purchase-to-pay process

Use automated 3-way invoice matching to eliminate paper-based manual processes and make sure you're only paying for what you've ordered and had delivered. Checking the details on the invoice match the original order and the goods received note will make sure that you're not paying too much due to any mistakes.

3-way invoice matching highlights any differences between the three sources of information, allowing you to manage invoices by exception, rather than having to go through each individual one.



10. Manage Suppliers

It's important to choose the right vendors and negotiate good purchasing deals with them. It's just as important to manage the ongoing relationship, making sure all parties are communicating and working together toward common goals.

Establishing business partnerships means working together in trust and good faith. Once your vendors are invested in your success, you can work to ensure you are receiving the best pricing for the contracted products and services.



Get visibility into supplier performance

Track supplier performance by viewing balanced scorecards to learn which suppliers are consistently late, delivering poor product quality, or exceeding expectations. This knowledge can help build better customer-vendor relationships with suppliers who deserve it.

Conclusion

With all the demands of running your restaurant, you've got a lot on your plate – but taking these steps will help you improve your profitability. Once you're set up to optimize your product and empower your workforce, there is even more opportunity for you to generate savings by increasing efficiencies and reducing costs.

With all of your data in one place, you can have full visibility that will translate to better informed decisions. A complete view of your purchasing and inventory data, and financial performance allows you to understand your highest performing items, your best days, and much more. Bringing in data from other applications can deliver deeper insights. Armed with that data, operators can have new power to learn about customer behavior, identify areas for improvement, and make changes.



About Fourth



When every hour of every shift matters, Fourth helps restaurants, retailers, and hotels conquer the day with data-driven workforce and inventory technology. The Fourth Intelligence Platform leverages more than 20 years of rich data and advanced analytics to deliver actionable insights and demand forecasting for optimizing operations, maximizing margins, and empowering employees. With a streamlined business powered by Fourth Intelligence, industry operators can act with certainty and conquer with confidence whatever comes their way every day. Headquartered in Austin, Texas, Fourth serves more than 15,000 customers across 100,000 locations globally. For more information, please visit fourth.com.

A close-up photograph of a person's arm and hand, wearing a white shirt with black vertical stripes, holding a silver tablet. The person has a tattoo on their forearm. The background is a warm, blurred kitchen setting with wooden surfaces.

Learn more at
fourth.com