THE 411 ON TECHNOLOGY ROI:
How small operators can evaluate their IT investments

Maitre'D®
Software that serves you better

www.maitredpos.com

The 411 on Technology ROI: How Small Operators Can Evaluate Their IT Investments

As if the restaurant business wasn't high-pressure enough, making expensive investments in new technologies without the guarantee of a return on that investment, or having precious few resources or metrics to gauge an ROI would likely do little to relieve the traditional headaches and stress associated with day-to-day operations.

For large operators or national chains replete with extensive, sophisticated IT purchasing resources and support staff, installing technology and determining its subsequent ROI is far less daunting than for the typical mom-and-pop operator or the one- or two-unit, quick-service establishment.

Whether it's a new point-of-sales system, an online reservation setup, state-of-the-art kitchen equipment, business intelligence or CRM application, smaller restaurateurs need methods to accurately evaluate the success and/or failure of that outlay.

"In evaluating any technology, we ask ourselves how it will help our guests."

"In evaluating any technology, we ask ourselves how it will help our guests," says Steve Brooks, IT director for Louisville, Ky.-based Tumbleweed Tex-Mex Grill and Margarita Bar, which operates 28 restaurants and several food court locations. "Can it help build guest count frequency and sales, or improve speed of service? Will it reduce mistakes (comps and deletes)? Can it produce an ROI in less than three years?"

Six years ago, the company invested in hand-held mobile devices for the wait staff and reported that the investment saw a return in less than 18 months as the technology helped improve ordering accuracy, speed up table turns and trimmed hourly labor, Brooks notes.

"The first person to go into a new technology has made the original investment and very often he or she is willing to share best practices," he explains.

Brooks advises smaller restaurateurs to seek out larger operators in their area who have implemented new systems, whether it be a state-of-the-art POS, business intelligence or data analytics, or an online reservations system, and simply ask them to share their best practices.

"We have fewer resources than a large chain, but we can measure improvements in controllables such as smallwares, utilities, promos and supplies," he explains. "We can also measure labor savings, food cost, theoretical savings and sales results such as ticket times, guest check average and table turns. We have reporting to minimize loss prevention with exception alerts that we have set up."

"One of the biggest mistakes IT professionals make is always assuming an IT investment will generate an ROI," says Mike Everett, vice president of information services at Ohio-based Frisch's Restaurants, operator and franchisor of 98 Big Boy restaurants and 29 Golden Corral buffet and bakery units. "Some business challenges/opportunities are easier to measure than others," he says. "Some fall into the category of 'cost of doing business.'" For example, Everett says his group's old ERP system was failing and had the potential to jeopardize several business processes. "Although the ERP system could not pay for itself directly, the negative impact on the business of the old system could be quantified. So the question switches from 'how much incremental revenue can this system generate?' to 'how much revenue will we lose if the old system fails?'"

For smaller operators, Everett says all IT activities should be driven by a return even if it falls into what is known as a "cost avoidance" classification. For example, if you don't comply with government/bank/credit card regulations (Payment Card Industry compliance), the fines will be $X.

"The cost avoidance of the fines becomes the savings. Without the cost avoidance mentality, would any company invest in IT to comply with these 'regulation' type projects? I think PCI is a prime example of a project that was required by regulation and caused a significant investment with a minimal 'operational' return to the company other than avoiding the fines that would be imposed by the credit card companies for failure to comply," Everett says.

"Brooks advises smaller restaurateurs to seek out larger operators in their area who have implemented new systems, (...), and simply ask them to share their best practices."

Don't fall into these traps:

- Assuming an IT investment will generate an ROI
- Only considering up-front cost of technology. Evaluate on-going costs over 2-3 years for maintenance, monthly fees, support, and training
- Forgetting to evaluate how much revenue you might lose if an old system fails

Patrick Irwin, vice president, IT, for Seattle-based casual dinner-house operator Restaurants Unlimited (RUI), agrees that while most things impact the bottom line, some items are harder to quantify than others—and that applies to IT investments and ROI.

"Investments in well-established software solutions (ERP, CRM, etc.) and stable hardware (servers, SANs, etc.) are easier to measure on ROI because there is a predictable life and a history of data with other companies on the benefits of the solution. Items that have a return in time, efficiency and speed of service are the hardest measure. We know that it is possible to assign dollar savings based on a 30-minute time reduction in a manager's workload or increased sales based on quicker table turns, but in these cases we tend to rely on experience and common sense," Irwin says.

Irwin reveals that RUI recently implemented a Web-based system that automated the daily accounting work that was originally done through Excel spreadsheets.

"As a result, managers spent 30 to 60 minutes less per day on accounting work (time that could now be spent with guests or on marketing," he explains. "Additionally, there were fewer errors in the system and, therefore, a savings in the time the accounting department had to spend reconciling with managers."

Key items to consider when evaluating technology

> How it will help your guests?
- Improve speed of service
- Improve guest satisfaction (reduce mistakes)

> How it will increase sales
- Build guest frequency
- Increase table turns
- Increase guest check average

> How it will reduce operational costs
- Trim hourly labor
- Minimize loss and reduce food costs
- Reduction in workload
- Cost avoidance of fines (IE: PCI Compliance)

> Can it produce an ROI in less than 3 years?

1 888 404 2662

www.maitredpos.com

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.

Maitre'D Software is a leading provider of POS applications for restaurateurs worldwide. With 20,000 customers worldwide, Maitre'D boasts an international presence.

Maitre'D®

Software that serves you better

Leading provider of restaurant POS
& management solutions