



DELAGET
SMARTER WINS

A restaurant leader's guide to maximizing labor efficiency

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Ebook

Quick service restaurants are people-intensive operations, with labor averaging around one-third of total sales.

According to Forbes Magazine, the pressure labor has on a restaurant's bottom line is only increasing. In 2016, minimum wage hikes were enacted in more than a dozen states and municipalities. And another round of increases in 19 states happened in early 2017.

Now, more than ever, restaurant operators need to maximize their labor cost — all while maintaining a great employee (and a great customer) experience.

As a restaurant leader with more than 40 years of experience, I know how challenging this can be. It's not as simple as cutting staff hours or giving team members more responsibilities.

I found the most success in maximizing labor efficiency at my restaurants by honing in on these important areas of the business:

1. Hourly wage rates
2. Management depth
3. Sales forecasting
4. Schedule writing
5. Team culture
6. Reporting/tracking performance



#1: Monitor and control wage rates

Pay competitively, not high

Keep a pulse on wages at similar restaurants in your area. Your pay rates must be competitive, but don't overpay to obtain talent. Employees will find value and choose to stay when compensated fairly and when there's a positive team culture (more on that below).

Avoid top-heavy shifts

Balance the ratio of managers to team members working at one time. I see this often: a staff of seven people are on duty, six of which are management. And these six people are all performing tasks that employees making less money can – and should – be performing. Have a maximum of two to three managers per shift to leverage the fixed cost of your average wage.

Minimize overtime for high-earners

Employee overtime is the greatest contributor to inflated wage rates, and while it's a fact-of-life in our business and in today's staffing environment, it must be understood, controlled, and even eliminated. More often than not, it's the best, highest-paid employees who volunteer (or who we ask) to pick up extra shifts. These employees make as much as \$12-\$15 per hour. Factor in time-and-a-half, and now you're paying \$18 to \$22.50 per hour for the same work. Be cautious of over-scheduling these employees. Is there an hourly position or tasks at your restaurant worthy of these wage rates?



#2: Prioritize sales forecasting

An accurate sales forecast is the foundation for an effective schedule – and for decreasing your labor cost. When forecasting sales, take into account these practices that I used for years as an above-store leader:

Schedule time to plan

Dedicate time every week to sales forecasting. This isn't something that should be done last-minute or when you're in a rush. Put it in your calendar.

Stop guessing

Guessing is not forecasting. Forecasting without tools is guessing.

Create a calendar

Make this your first stop when preparing to forecast, and include all national, regional, and local events.

Stick to brand recommendations

Follow your brand's assumptions and directions on holiday forecasting and limited time offers.

Talk to your team

Follow your brand's assumptions and directions on holiday forecasting and limited time offers.



Prioritize sales forecasting (continued)

Learn from the past

Build the forecast from store history and trends from previous years. Remember to factor in comp sales. If sales trend down 10%, forecast down 10% (and adjust from there).

Keep to a 4% to 7% variance of actual versus forecasted sales

This is the optimal range for executing the schedule in meeting customer demand and scheduling the right people, at the right time, for every task (i.e., meetings, training, food prep, and cleaning).

Use reports to make smart decisions

When reviewing previous dayparts, use store-level reports from a web-based solution, like Delaget Stats. Valuable reports include: productivity or sales per man hour, hours variance to your labor guideline, labor percent, like volume locations, and productivity reports.

Hold steady when sales exceed the forecast

Maintain your team's scheduled hours when sales exceed forecast. That way, you can take advantage of the additional revenue and maximize productivity for the day or dayparts.

#3: Schedule for success

Labor efficiency is greatly impacted by having the right people, properly trained and cross-trained, in the right positions and with the availability to meet the needs of the forecasted and scheduled business. How can you make this happen? Scheduling plays a big role.

Minimize after-hours work

As much as possible, schedule fixed tasks such as food prep, cleaning, etc., while you're open for business and while the registers are ringing up sales. Otherwise, your labor cost is 100% and sales per man hour are \$0.

Don't skimp on time to open/close properly

Set realistic targets for the amount of hours needed for pre-open tasks and post-close tasks. For example, in a typical QSR environment, it takes around 90 minutes to prepare the restaurant for the next business day. If you plan for less than that, your team may be taking short cuts in cleaning and food safety tasks - and perhaps even short-changing the customer experience as closing time nears.

Stagger the schedule

Avoid chaos and confusion during peak hours by staggering the clock in/out times for your team. For example, instead of having the incoming team clock in at 5 PM and the outgoing team clock out at the same time, stagger arrivals and departures in 15-minute increments. As a best practice, you should schedule no more than two employees coming or going at the same time.

Schedule for success (continued)

Align the strength of the team with deployment

Allow them the opportunity to count their cash drawer before and after their shift and still punch out on time.

Schedule overlap time for cashiers

Allow them the opportunity to count their cash drawer before and after their shift and still punch out on time.

Avoid long shifts

Six to eight hours is best to keep your team fresh. Consider rotating positions throughout the shift.

Break regularly

Employ a consistent employee break policy (typically 30 minutes), and use these unpaid breaks for your team to refresh and reenergize. Not only will this help boost morale, it will also reduce hours worked. Unused hours can be saved or re-invested into other day parts with less-experienced team-members or allow for additional hours during non-peak times, such as mid-afternoon or mid-evening.

- » For example, during a day shift with eight employees scheduled, if each team member takes an unpaid 30-minute break, four hours are saved. This extra time could be re-invested to another four-hour shift somewhere on the schedule to improve the employee and customer experience.

Schedule for success (continued)

Schedule manager functions

Managers should have dedicated time every week for sales forecasting, scheduling, and food/supply ordering. Conversely, when working on the floor, managers should give their full attention to their team, to improve customer experience and speed of service.

Watch for timecard abuse

Use your web-based reporting solution to monitor employees punching in early, punching out late, and punching in early from breaks.

Set up every shift for success

Productivity and customer experience suffer when the opening team has to finish the previous nights' closing tasks or when the evening shift begins with lingering tasks left to them by the previous shift.



#4: Improve store culture to reduce employee turnover

Controlling employee turnover as much as possible is critical. Dealing with unexpected or unplanned turnover and working shorthanded is a drain on your business, hurts employee morale, and negatively impacts customer experience. And while turnover can be expected (we are in the QSR industry, after all), here are some methods you can use to develop and maintain a solid team culture that can reduce turnover:

My experience (and multiple studies show) that a team that is 90% tenured (meaning that 90% of the team has been employed for 90 days or more) tends to perform better than non-tenured teams. Time and tenure are signs that the team feels valued, likes their work, and enjoys the leadership, other team members, and the store culture. A well-tenured staff also protects the high cost of employee turnover. The cost to replace a \$10/hour retail employee is around \$3,300— a direct assault on the labor line of your profit and loss statement. Here are ways you can reduce turnover and improve culture:

Use a bench plan

Also called people plan, forecast your staffing needs and employ a systematic approach to maintaining your staffing goals. For example, hire one person each week or every-other-week. My motto is: “interview often, hire regularly.”

Conduct reference checks for every employee

Learning as much as you can from personal and professional references is critical to building a successful team. Don't hire a bad apple to replace a bad apple.



Improve store culture to reduce employee turnover (continued)

Get referrals

Ask employees and customers for recommendations for new staff.

Take the time to train

Training your employees properly gives them the tools and confidence to perform in front of guests. Develop their speed and technique along the way.

Communicate and show you care

Invest in your team with daily interactions, one-on-one meetings, and trainings. And don't forget to celebrate! Remembering things like business milestones, birthdays, work anniversaries, and other important areas of your team's lives can give the team a big morale boost.

Find out what motivates your team

Properly used, employee recognition and appreciation programs can keep the team engaged. Options can vary from meal incentives, gift cards, candy bars and other treats, employee of the day/week/month programs, and new uniforms. Ask your team for suggestions. Oftentimes, you will find what's most important is the recognition and acknowledgment – not the monetary award.

Ask, listen, tell

Employee surveys can be a way to show you're listening and care about the culture in your restaurant. Be sure to communicate the employee feedback to your team and share your plans to make improvements based on their feedback.



#5: Use data to your advantage

Reviewing your restaurants' data should be built into your (and your team's) daily routine. Analyzing and reviewing data can help you make informed decisions when it comes to optimizing labor. But with so much data out there, what should you focus on? Here are key areas you should hone in on to optimize labor:

Dive into your data

Collect and analyze your sales and labor performance daily, weekly, and each accounting period. Location dashboards and sales analysis reports allow a bird's-eye view of your store, area, and company performance. Personally, I use [Delaget Stats](#) to do this. It saves me hours of time every week!

Plan based on your history

Be sure to compare productivity (SPMH), hours variances +/-, labor percent, and transactions per man hour to like days and similar sales volumes. While you can't go back and fix yesterday or last week's performance, you can make adjustments for today and the immediate future.

- » It's important to understand the value of planning based on your history. For example, in the middle of the first quarter, you may have to recruit, hire, onboard, and train more staff in preparation for the second quarter, which will reduce your store's labor efficiency. However, it will pay dividends in the second quarter as traffic (and sales) pick up in the spring and summer months.



Use data to your advantage (continued)

Review speed of service reports

I have also found speed of service day part reports are also useful in understanding labor efficiency and where you may be over or understaffed, by day part. When your speed of service is at goal or better, your labor efficiency is too.

Success in improving and maintaining your restaurants' labor efficiency will be determined by you (and your team's) approach and mindset. Many operators develop "we can't" attitudes because maximizing labor efficiency is viewed as cutting hours and limiting resources. Stay focused on what actions you can take and the many examples outlined throughout this ebook, and you'll find you can focus on developing your business, your team, and your customer experience.



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Get started with Delaget's reporting solution today,

so you can spend less time pulling and analyzing reports and
more time improving labor efficiency at your restaurants.

Contact us