

Vetting Cost Control Systems



By Mark Kelnhofer, CFBE, MBA

We have many challenges in operating and managing a foodservice business. Whether a restaurant, catering operation, hotel, casino, so many other operations, we look to technology to assist in become more efficient and profitable. Systems create more formalized process and control to increase the discipline of our operation. Making decisions on any system is not an easy task and certainly we should spend some quality time conducting the proper research. Here are some aspects to consider during the vetting process:

Interfaces versus Exporting. We participate in an industry that have available to us many different types of systems. Think about all the technology that we have available with different purposes (see figure): labor management, catering, point-of-sale, back office, accounting, loyalty programs, and many others. The issue becomes how the data we receive from the new system may or may not communicate to our existing systems. There is no one system to manage all aspects of running the business. An interface is a direct communication with other computers and databases. There is a relationship that exists between systems. The ability of exporting data from one system to another is not a direct interface. It is a manual process to move the data out, possible reformat the data, so that it can be read by the receiving system. This could take some time to do and you may have to do it frequently. Ideally, true interfaces are what is desired. When research and vetting any system, time needs to be spent to understand how the new system may or may not work with your existing systems.

Features and Field Vetting: It's one thing to vet features of a new system, but a whole another thing to vet the fields and structure of the database. When reviewing any system, get into the details of each part of the database. As an example, let's review some of the data that you may want to have or know about on all purchased items for your operation:

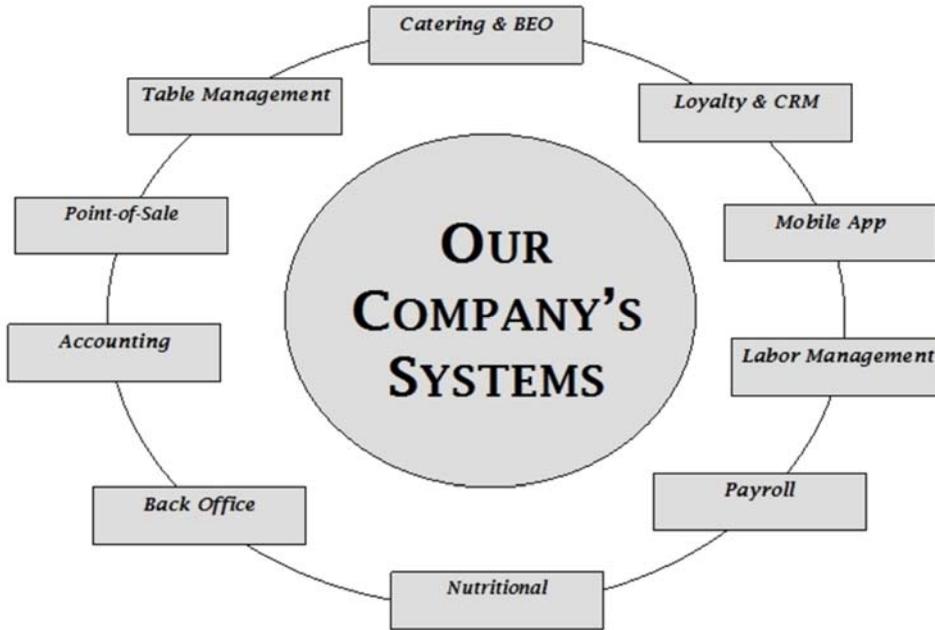
- Item description field length.

- Limitations, if any, on the number of unit-of-measures (UOMs) per item.

- General ledger coding and tax flags.

Flags to annotate retail product, gluten free, non-GMO, kosher, allergens, and catch weight products.
 Purchase specifications (i.e. size, color, grade, average weights, etc.).
 Primary and secondary vendors identification.
 Point-of-sale attachment if a retail item.

As you can see, if you don't look at all the details of the fields and capabilities, you may find out post purchase instead. Finding out about shortcomings after the purchase is not always the best experience. The shortcoming may affect a feature critical to your operation. There are so many aspects of a system that you may review as well: recipe cards and costing, physical inventories, banquet event orders, and so many others. This requires more than just sitting in on a one hour demo by the sales representative. Your decision needs to be made



on data. The more research and vetting you do, the more satisfied you will be with the decision you choose.

Involve The Team. To make the demo and vetting a success, involve all personnel that will be affected by the system. Identify any personnel whose hands are actually going to be touching the system and entering data. They may have some questions that come up as a true user that may not otherwise come up during the demo.

Maintenance Contracts and Customer Service: Understand the terms

for all other services under an ongoing contract. It is not unusual that these contracts can last several years with a monthly subscription charge attached. Not only should you understand the service, but also how it is being delivered or how it is accessible to you. Support can be email, chat rooms, or live calls. You need to understand how effective and accessible the support is as part of the decision making process.

Training Programs. Training on the new systems is another critical area to vet. Today there are so many methods and usually some additional costs involved, especially for live on-site training. With live on-site



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training, you should anticipate travel and lodging costs as part of the package. Training in some cases is conducted via webinar and not live. Make sure to ask if there is a user's manual available and if it is hard copy or in an electronic form. This will allow you to possibly find an answer to an issue before contacting customer service for support. In many cases, this alone tells you something about the company you are vetting. If they have their systems and processes documented, you should become more comfortable about working with them as a vendor. There will probably be some additional costs for their time to train your personnel, so anticipate it. Review if these costs are based on the number of attendees or are the fees for total time spent.

Sunk Costs versus Subscription Models. When costs are discussed, we need to know the total purchase contract which includes subscription model services (standard monthly fees) versus those items which requires amount paid up front or sunk costs. In most cases, the sunk costs, are those dollars going out the door for computer hardware and equipment up front. The subscription model is usually related to the computer software use and in many cases hosting. You should confirm how the subscription model is being assessed. It could be based on each physical location or the total number of actual users on the software. Identifying this could assist not only in your budget for the capital expenditure, but also potentially identifying who will eventually have access to the system.

Ask For and Contact References. Don't be afraid to ask for existing customer references. One of the largest areas of opportunities is that exiting users are not being interviewed to get perspective on how satisfied they are with the product. It is your opportunity to interview a true user of the product and you should take advantage of it. A prospective vendor should be able to provide you several existing company names and contacts of existing users that are similar in size and operation. If they don't or cannot do this for you as a prospective client, a huge red flag has been raised.

The vetting of systems is a critical juncture for any company and should be taken seriously. In most cases, there is a substantial amount of invested cash at risk. Due to this, there is a lot of emotion around the decision, before and after. If the proper research and effort is not made, the cash that is dedicated to the purchase may not provide you with the return and efficiency that you expected. At the end of the day, systems that you purchase should drive the bottom line.

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The image shows a stack of 'Entrepreneurial Chef' magazines. The top magazine cover features a man in a chef's uniform and the headline 'CHEF CHRIS HILL: A JOURNEY TO ENTREPRENEURIAL SUCCESS'. Other text on the cover includes 'CHEF FERDINAND METZ: Interviewing a Culinary Legend', 'CHEF REBECCAH PETS: Lessons For Owners & Operators With High Aspirations', and '3 MISTAKES Entrepreneurs Make in Their Journey'. At the bottom of the cover, it says 'A RESOURCE FOR BUILDING & GROWING YOUR BUSINESS IN THE CULINARY INDUSTRY'. To the right of the stack, the text 'Advice for Building & Growing Your Business' is written in a large, bold, white font against a black background.