

HOW TO BEAT RISING LABOR COSTS

6 SMART WAYS TO BOOST PRODUCTIVITY & EFFICIENCY



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THE CHALLENGE

INCREASING LABOR COSTS ARE EATING INTO RESTAURANT MARGINS

Controlling labor costs has always been a make-or-break challenge for independent restaurants with tight budgets and slim margins. But today, several factors continue to push labor costs higher and higher. In fact, nearly half of restaurant operators said rising labor costs are now the biggest barrier to growth.¹ One in three restaurant owners go so far as to say that increasing labor costs are now the largest threat facing their business.²

THE BIG IMPACT OF SMALL INCREASES

LABOR AS % OF SALES

.8% increase
in 2016³

PAYROLL COSTS

2-4% increase
in 2018⁴

HALF

of restaurant operators
say labor costs are the
BIGGEST BARRIER TO GROWTH

1 IN 3

restaurant operators
say labor costs are the
TOP THREAT TO THE BUSINESS

¹ <http://www.lek.com/our-publications/lek-insights/growing-challenges-eat-away-food-operators-market-share>

² Applied Predictive Technologies: State of Business Experimentation Report for Restaurants, 2016

³ <https://www.bdo.com/getattachment/ef67a710-1328-4e7e-927d-50b5567abc2b/attachment.asp>

⁴ <https://www.foodnewsfeed.com/fsr/vendor-bylines/2017-restaurant-technology-trends-and-predictions>





WHY DO LABOR COSTS KEEP INCREASING?

1. RISING MINIMUM WAGE

- 20 states raised their state-level minimum wage at the start of 2020 and 4 more states are expected to follow before the end of the year.
- Countless cities have implemented new minimum wage laws – or increased existing city-level minimum wage requirements.
- The “Fight for 15” wages on across the country.

2. CHANGES TO MANDATED BENEFITS

- The Affordable Care Act (ACA) changed healthcare benefit requirements and created new challenges in balancing full-time and part-time staff.
- Proposed changes to federal overtime pay requirements and possible changes to Joint Employer legislation could add new challenges to restaurant workforce management.
- With a new election in 2020, tremendous uncertainty surrounds all of these changes.

3. THE DOWNSIDE OF ECONOMIC GROWTH

- The U.S. economy and job market continue to improve in the wake of the 2008 recession.
- The service-industry labor market is tightening as fewer people enter this job market.
- Rising economic confidence drives even higher turnover rates.
- Restaurant owners and managers find it harder to find experienced employees – and harder to keep good people.



HOW DO YOU **DRIVE EFFICIENCY** – WITHOUT LOSING STAFF & CUSTOMER SATISFACTION?

Every restaurant operator is keenly aware of labor costs. But trying to squeeze more efficiency from your staff is a tricky thing: Ask too much of your staff or push them too hard and you risk losing good talent. Even worse, an overburdened staff can hurt your customer experience – with devastating impacts that quickly overwhelm any cost savings.

Clever restaurant operators are navigating this challenge by focusing on helping their people and their business work smarter – not harder. This e-book gives you six simple strategies for driving efficiency, reducing waste and getting more from your staff – while keeping your people and your customers satisfied.

6 SMART WAYS TO CONTROL LABOR COSTS



**IMPROVE
STAFF
SATISFACTION**



**MAKE TIME
FOR TRAINING**



**EXPAND
SKILLS WITH
CROSS-
TRAINING**



**PRIORITIZE
EMPLOYEE
SAFETY**



**STREAMLINE
YOUR SPACE**



**UPGRADE
TECHNOLOGY**





STRATEGY #1:



IMPROVE STAFF SATISFACTION

KEEP YOUR TEAM INTACT.

Turnover has been steadily increasing since the end of the recession.⁵ Turnover is more than frustrating — it's costly. Experts estimate that replacing just one \$10/hour employee costs \$3,300 — from recruiting, hiring and training a new employee, to the overtime costs from covering the departed employee's workload.⁶ Reducing turnover can produce significant bottom-line savings.

- Better pay isn't the only answer — and restaurants are already struggling with mandated wage increases.
- Offering unique perks and enhancing work conditions can set your restaurant apart.
- Regional food service markets are tight-knit. Good reputations spread quickly.
- Lower turnover makes it easier (and smarter) to invest in staff training.



⁵ U.S. Bureau of Labor Statistics, 2016

⁶ <https://2b884s3vsblr2vid492wyoqg-wpengine.netdna-ssl.com/wp-content/uploads/2017/05/A-restaurant-leader%E2%80%99s-guide-to-maximizing-labor-efficiency-1.pdf>



WHERE TO START

1. CELEBRATE EXCELLENCE.

Despite the rise of celebrity chefs, real-world restaurant jobs are often unglamorous. Recognizing consistency and celebrating above-and-beyond efforts can go a long way toward boosting staff satisfaction and morale. Use reports from your POS system to find out which server is bringing in the most tips. Set up selling goals for servers and bartenders. Recognize hosts after a particularly busy period. Don't forget about kitchen staff. While it may be harder to quantify great performance, reward kitchen staff for taking on new stations or learning new menu items, and talk with your staff to find out who's been working hard. Not only do rewards and recognition boost employee satisfaction for the recipients — they give other employees clear examples of how to succeed, and build a positive culture that people want to be a part of.

2. GIVE STAFF ROOM TO GROW.

Encourage your staff to commit to your business by giving them a clear path to grow and advance. Independent restaurants are naturally “flat” organizations, so you can't promote everyone to manager. But you can create opportunities for staff to manage or “own” aspects of operations — from equipment maintenance and facility cleaning to social media accounts and event planning. Include them in internal meetings, meetings with vendors and share business reports to show them how they're contributing to cost savings, growth, etc. These development opportunities give staff a reason to invest their own time and effort in your business, help you groom future mid-level employees with in-depth knowledge of your business, and can take some of the wide-ranging responsibilities of restaurant operations off your plate.

3. FOCUS ON THE PAIN POINTS.

Most employee gripes and complaints center around the “side jobs” — the tasks staff view as added burdens or things they “didn't sign up for,” like cleaning toilets or scrubbing floors. Minimize these frustrations by cutting out as many tedious tasks as possible. Make sure tasks are spread out across all staff; it shouldn't just be kitchen staff that get stuck cleaning the range hood. Similarly, make sure everyone is trained in how to properly clean the entire restaurant — from tables and chairs, to kitchen floors, to toilets and restroom fixtures. Talk to your cleaning product vendor to make sure you have easy-to-use products — like multi-purpose solutions that clean and disinfect in one swipe, or chemical dispensers that minimize cleaning prep work. An easy place to work is a great place to work.





STRATEGY #2:



MAKE TIME FOR TRAINING SET STAFF UP FOR SUCCESS.

Pressures and incentives are the traditional route to boost productivity. But the easiest way to drive efficiency is to make sure your people are set up for success — that they know how to do things the right way. Constant turnover and the hectic pace mean typical new employee training is an on-the-job, learn-as-you-go affair. Similarly, existing staff often get limited training on new technology or equipment, learning instead through trial and error.

- Inadequate training allows employees to develop their own, less-than-ideal use habits and behavior patterns — instead of efficient, best practice-driven habits.
- Process-based training drives productivity and efficiency by ensuring staff are using equipment the proper way.
- Putting the time into training on the front end delivers a range of returns: staff feel more capable and empowered, and morale increases as staff feel that you value them enough to invest the time and resources to help them be successful.





WHERE TO START

1. EMPHASIZE THE SIDE JOBS.

Experienced front-of-the-house staff already know how to seat parties, take orders and manage other parts of the service experience. Veteran kitchen staff know how to operate the basic stations and execute common dishes and menu elements. What varies greatly from restaurant to restaurant are the side tasks, such as cleaning and maintaining the unique spaces of a restaurant. These non-core tasks offer a big opportunity to boost staff efficiency. Leading cleaning product vendors recognize this opportunity, and can offer simple training resources and on-site training sessions to coach your people on side jobs ranging from how to properly use a multipurpose disinfecting solution, to the most efficient process for cleaning a restroom, to the best way to clean different flooring in the restaurant to minimize slip-and-fall risk. This simple guidance can prevent these side tasks from spilling into costly overtime, while giving your staff more time to focus on producing fantastic food and delivering outstanding service.

2. TRAIN ALL STAFF ON YOUR POS SYSTEM.

Your POS system is the engine that keeps business moving forward. All staff — from hosts and servers to kitchen teams — should receive dedicated training on your POS system. They should understand how to enter and adjust customer orders, manage the flow of tickets and close out tickets. When all employees are comfortable operating and troubleshooting the POS system, you can eliminate painful bottlenecks and delays, avoid overburdening the kitchen and frustrating patrons, and maximize order throughput to boost sales.

3. TAKE ADVANTAGE OF VENDOR TRAINING RESOURCES.

Most restaurant operators don't have the time to create a comprehensive training program from scratch. Fortunately, many leading vendors are happy to jump in with helpful training resources — from ready-to-use training tools like checklists, posters and online training modules, to on-site, expert-led training sessions. Ask your vendor partners if they offer these kinds of training resources — and seek out those vendors that do have a robust training offering.





STRATEGY #3:



EXPAND SKILLS WITH CROSS-TRAINING

MAKE YOUR PEOPLE MORE USEFUL.

The “skeleton crew” approach is a popular way to minimize labor costs. But the constant variability of demand in a restaurant means that you can quickly end up understaffed and overburdened without a smarter approach.

- Make each employee more valuable by cross-training them to cover a wider range of responsibilities in the restaurant.
- Scale back during slow times, allowing cross-trained staff to cover extra duties.
- Cross-trained staff also reduce the need to bring in extra staff to cover unexpected rushes — minimizing overtime hours.
- Cross-training builds a culture of teamwork and efficiency: employees can jump in to help colleagues wherever needed, maximizing productivity while boosting morale.





WHERE TO START

1. FRONT-OF-HOUSE STAFF.

Plenty of restaurants are already blurring the host and server roles. Hosts should be fully familiar with the menu and the ideal flow of the service experience, so they can jump in and cover a few tables during particularly slow or busy times. Similarly, servers should be familiar with a POS system's host/seating/reservations functionality. Cross-training servers to double as bartenders is another great opportunity to realize labor savings and scale back staff during slow times.

2. KITCHEN STAFF.

The most veteran kitchen staff are already jacks-of-all-trades. But make sure all of your cooks can cover every kitchen station and understand how to prepare every element on the menu. Also make sure that kitchen staff are well-versed in opening and closing protocols, so they can cover extra shifts without these additional responsibilities bleeding into overtime.

3. MAKE CLEANING A SHARED RESPONSIBILITY.

When a restaurant gets hit with a sudden rush, it's the "non-essential" tasks that get overlooked. Side tasks like cleaning kitchen floors, spot-cleaning the front of the house, or deep-cleaning tables and chairs end up getting pushed to off hours (often leading to overtime) or just don't get done (ultimately hurting the customer experience). This cross-training burden doesn't have to fall squarely on a manager's shoulders. Top vendor partners make it easy to put together a comprehensive cross-training program — from providing resources for self-guided learning to coming on site to lead focused cross-training sessions on how to clean specific spaces and address particular cleaning issues. This ensures that servers and hosts can jump in to help degrease kitchen floors, kitchen staff can cover restroom cleaning, and everyone is ready to grab the right cleaning product and tackle a spill or spot-cleaning task.





STRATEGY #4:



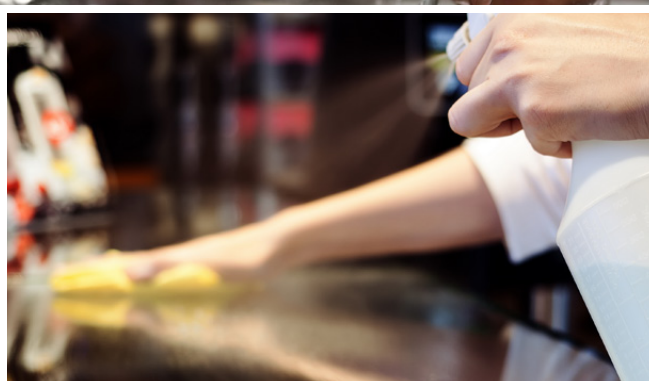
PRIORITIZE EMPLOYEE SAFETY

ACCIDENTS COST YOU GOOD PEOPLE MONEY.

The costs of an employee safety incident are many. Losing a team member throws a wrench into the well-oiled machine of your restaurant, hurting productivity. Even minor accidents can lead to workers compensation and/or disability pay. And then there's the cost of working short-staffed or trying to hire fill-ins. Finally, there's the risk of litigation expenses that can quickly spiral out of control and put the entire business in jeopardy.

Restaurants can mitigate this risk and limit these costs by making employee safety — doing things the right, safe way — a core element of staff culture. Investing in products and process that facilitate safer workspaces not only prevents the escalating costs of safety incidents, but can deliver additional benefits to employees and guests alike. Employees feel more valued, enhancing morale and reducing turnover and the costs that come with it. The same practices that create safe spaces for employees also prevent guest safety incidents, such as slips and falls or food safety issues.





WHERE TO START

1. REDUCE SLIP-AND-FALLS.

Slips, trips and falls are the top cause of workplace injuries.⁷ Grease builds up quickly in busy kitchens. Spills can create hazards in the front and back of the house. Rainy and snowy conditions can wreak havoc on entryways, host areas and restroom floors. Look for a cleaning product vendor that can help you re-examine your floor care products and process. Leading vendors can provide cutting-edge products that uniquely address the needs of front- and back-of-house spaces: heavy-duty degreasers, sanitizers and double-duty products that clean floors and maintain drains in the kitchen; general-purpose or surface-friendly cleaning and disinfecting solutions for the dining area; and specialty products for spot-cleaning tough spills and stains. More importantly, make sure your staff understand the right way to use these floor care products — so they're cleaning efficiently and reducing safety risks without damaging flooring materials.

2. CONSTANTLY RE-VISIT “RIGHT-WAY” CLEANING.

Chemical burns and other incidents relating to improper use and exposure to cleaning products are another major source of employee safety instances. All staff should receive dedicated training on how to safely and properly use each unique cleaning product. Your cleaning chemical vendor should be able to provide training resources and live, on-site training. Another factor that shouldn't be overlooked: The safest cleaning products are the ones that are easier to use the right way than the wrong way.

3. TAKE ADVANTAGE OF VENDORS' COMPLIANCE RESOURCES.

Even if no safety incident ever occurs, failing to prioritize employee safety can still be costly. OSHA can surprise you with an audit and hand down fines ranging over \$100,000. Even lesser violations can lead to several thousands of dollars in fines — which mount for each day you remain out of compliance. Keeping up with evolving regulatory requirements is just one more challenge for restaurant operators to juggle. Fortunately, leading vendor partners follow these changing requirements closely, and can provide guidance and support in keeping your restaurant in compliance.

⁷ OSHA





STRATEGY #5:



STREAMLINE YOUR SPACE

CREATE AN ENVIRONMENT THAT ENHANCES EFFICIENCY.

Crowded kitchens. Bottlenecks at server stations. Service maps that force servers to criss-cross the restaurant just to refill water glasses. These days, restaurant aesthetics get plenty of attention. But a space that's all form and no function can overburden your staff and drag down your bottom line. You don't need to tear down walls and make costly renovations to improve the efficiency of your space. By focusing on staff pain points, you can reveal simple changes and reconfigurations that can help your people work easier, smarter and faster.





WHERE TO START

1. CREATE SHORTCUTS FOR SERVERS.

Servers are masters of efficiency. They're keenly aware of every wasted step or detour in their routines. Perhaps it's moving high-use items from storage areas to server stations. Or repositioning (or adding) server stations to minimize steps to tables. Consider redrawing your service map to make sure all service sections are positioned to allow clear paths to the kitchen service window. Saving servers a few steps with each trip can help them deliver faster service, turn more tables and boost sales.

2. ORGANIZE YOUR STORAGE & PREP SPACES.

With real estate costs skyrocketing, restaurant owners need to squeeze value out of every square foot of space. Most don't have the luxury of expansive storage spaces and prep areas. But too often, "small" means "cluttered." Disorganized spaces mean employees take longer to find items they need, re-stock items or complete prep work. There are easy ways to reclaim more space in small areas. For example, look for vendors that offer higher-performance products that deliver better results with less time and labor costs. You should also look for vendors that reliably make frequent site visits, so that you can make smaller, more frequent product orders — rather than managing a large inventory. If you have the space, consider a chemical dispensing solution that can deliver cost savings while speeding cleaning prep workflows.

3. FOCUS ON THE DISHWASHING SPACE.

The bussing and dishwashing space is one of the busiest areas in your restaurant. In fact, in a way, it's as much the heart of your restaurant as your range or oven. Yet this space is notoriously overlooked when it comes to restaurant design — both in terms of location in the back of the house and the layout of the dishwashing space itself. Experienced vendors can help you design, redesign or just make small tweaks to your dishwashing space to maximize efficiency. This includes everything from ensuring clear, safe walkways so the dishwashing area doesn't become a back-of-the-house bottleneck, to positioning wash basins, soap dispensers and dishwashing machines to minimize the time, steps and effort for your staff.





STRATEGY #6:



UPGRADE TECHNOLOGY

WHEN SPENDING MEANS SAVING.

Spending big money on a new piece of equipment is often the last thing a restaurant operator wants to do when costs are rising and margins are tight. But as cliché as it may sound, sometimes you need to spend in order to save. Outdated technology could be killing your labor efficiency — for example, slowing down the kitchen or making cleaning tasks at the end of shifts more time-consuming. In addition, radical new customer-facing technologies like self-service ordering have the potential to completely change front-of-the-house staffing models.





WHERE TO START

1. ASSESS ALL KITCHEN EQUIPMENT.

The kitchen is the engine that drives your restaurant forward. Upgrades to ranges, ovens, fryers, etc. can pay dividends in both kitchen and front-of-the-house operations. Upgrading to a larger range, for example, can simply increase order throughput. Consider innovative “combination” equipment, such as a combi-oven, which allows kitchen staff to handle steaming, roasting, baking and frying on the same station — boosting food production. Finally, simply upgrading old, worn, past-its-prime equipment can speed cook times and help you turn more tables, increasing sales.

2. FIND BIG SAVINGS BY RENTING A COMMERCIAL DISH MACHINE.

The gritty job of handwashing dishes won't ever completely go away. But adding a high-performance commercial dishmachine to your kitchen can immediately boost labor efficiency. The best dishmachines also deliver a better, more consistent clean (benefitting guest experience) while protecting the life of your wares (another big capital investment). Some leading full-service chemical vendors now offer dishmachine rental and leasing programs that make these technologies practical for restaurants of all sizes and types. These rental and leasing programs are often more cost-effective in the long term, as they remove the burden of inevitable breakdowns and repair costs. Be sure to look for a dishmachine that offers the latest energy- and water-saving technology — and comes supported by regular preventative maintenance and 24/7/365 emergency service.

3. IS DIGITAL ORDERING RIGHT FOR YOU?

Some restaurants are seeing great results from digital ordering systems — from tabletop, tablet-based ordering and checkout systems, to self-service kiosks. These customer-facing technologies have the potential to delight guests while reducing front-of-house costs. However, it's important to carefully consider the full impacts of implementing digital ordering. Faster ordering can increase the burden on the kitchen, requiring additional staff that may offset any labor savings in the front of the house. Restaurants also must be careful that they're not simply pushing additional “work” on the customer — the technology should improve the customer experience, not detract from it. To that end, most restaurant guests still prefer to interact with real people, so digital ordering systems should be used to free up service staff to deliver even more attentive, outstanding customer experiences.





SUCCESS IS IN THE DETAILS

Saving servers a few steps here, trimming a few minutes off your floor cleaning process, or pocketing a few more pennies with every cycle of your dishmachine: In the tight-margin restaurant “game,” every little bit counts – and the little things can add up to big advantages. Labor cost increases show no sign of slowing, but independent restaurants have a big advantage in their small size and agile operations. Even implementing one or two of the strategies offered in this e-book can make a noticeable impact on your bottom line. More importantly, by focusing on helping your staff work smarter – the intersection of working faster and working easier – you can increase staff satisfaction, boost morale and ensure that your people are your greatest asset.



We're with you every step of the way.



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