3 Ways Restaurants Can Save Big in the Back Office

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Tips to consider before automating your Accounts Payable

Many restaurant managers are playing a never-ending game of catch-up. On top of the stress of providing a quality experience and generating guest satisfaction at full-service restaurants, they're also grappling with issues that can crop up at the worst possible moments—such as missing payments to food and liquor vendors, duplicate invoices, inaccurate food costs, inventory issues, and more.

Management teams at full-service restaurants—especially chains with multiple locations—have the responsibility of orchestrating many different components of the supply chain system, all of which have their own varying processes and systems. Lately, many restaurants have started automating their Accounts Payable (AP) to more effectively—and efficiently—process their invoices and payments. Automation providers promise restaurants protection from costly mistakes associated with duplicate invoices and poor food cost data, not to mention the cost of managers entering all of this information into a back-of-house system and other issues. Additionally, the solutions all claim to ensure ease of use and valuable ROI in the form of increased savings on AP and other processes.

However, according to our research [4], AP automation solutions aren't always what they promise to be, and when implemented, they don't actually improve processes for companies in the way they claim to. In fact, many of these so-called "solutions" carry large, unexpected costs associated with solving the very errors they are supposed to ensure against. For instance, among the companies we surveyed, the costs resulting from resolving problems and providing vendor support exceed the savings from automating invoice receipt, data entry, and disbursement, resulting in negative ROI for these companies.

One of our clients in particular faced many of the same challenges other full-service restaurants face today. A restaurant chain with multiple locations on the East Coast, the company struggled to

manage all the tasks associated with their AP process. Then they implemented a new back-of-house system to automate purchasing and accounts payable. The system vendor had promised that it would be easy for restaurant managers to reconcile the order to the invoice and complete it, saving time and money. What they found out, however, was that restaurant managers are not very good accountants, and they struggled with this reconciliation, taking away valuable time from guests and management of the restaurants. Automation also required additional data entry at the restaurants, which resulted in additional effort and resulted in data entry errors. On top of that, they frequently misplaced invoices and their AP department only found out about it when a vendor called to cut them off.

When we began our partnership with the restaurant, the first step was to help the company identify significant process improvement opportunities. The company realized they could change their billing address to a dedicated PO Box and allow us to scan all their invoices, saving them not only time but also the fear of missing important payments. Next, through the implementation of technology, the company's restaurant managers could easily fax invoices daily for processing—cutting their time burden to minutes per day. Finally, the company established written business rules which were leveraged to process invoices within 24 hours of receipt. By ensuring their food costs were accurate, the company could calculate their actual to theoretical cost variances on a weekly basis, for a complete understanding of their food cost performance.

We find among our restaurant clients that 4 percent of all invoices received are duplicates, adding up to a significant cost over time. At this particular East Cost restaurant chain, by using a combination of automation technology and working closely with restaurant managers, we were able to catch duplicate invoices and prevent them from being processed. Using this formula has saved our clients over $2 billion in duplicate invoices in just a little over a decade.

Here are three tips that full-service restaurants can take to save big:

AP automation isn't "one size fits all." Restaurants need both automation and process improvements to maximize their savings. For example, we use our own proprietary software, Archimedes, combined with tailored recommendations for improving the AP process following an extensive audit of how restaurants are currently doing business.

Don't just automate, innovate. Tailoring your AP processes using best practices and unique solutions will guarantee you'll save more on every invoice you process. For some companies, this might mean coming up with a way to sync multiple processes or software programs. For others, it could mean ensuring that all invoices are processed correctly. Developing innovative invoicing solutions can be as simple as using a special barcode on invoice cover sheets to compensate for kitchen grease that might happen to smudge one of them.

Consider outsourcing as part of the solution. Mid-sized companies, including restaurants, tend to shy away from outsourcing because they're afraid of losing control. But, in fact, effective outsourcing of AP tends to increase visibility and control over AP processes. With a dedicated team

handling customer service and vendor requests, management can focus more on their guests instead of playing catch-up in the back office.

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