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## How restaurants can prepare for rising health care costs

While there are signs that the economy will keep improving in 2015, restaurant owners still face many of the same challenges they had during leaner times.

Commodity prices consistently fluctuate and wholesale food prices remain elevated while menu prices rise much slower—the pressure on a restaurant's bottom line never wavers. A majority of American consumers still remain uncertain about the economy, resulting in cautious spending habits, according to a recent National Restaurant Association [survey](#).

The new year will bring a host of [new health care regulations](#), with the Affordable Care Act mandating that restaurants with 100 or more full-time employees offer health insurance.

While the consumer outlook should continue to improve as the economy strengthens in 2015, restaurants will still have the difficult job of trying

to figure out how to control their costs while navigating the complexity of the ACA and complying with all required regulations.

Lately, there have been a host of creative solutions for restaurants to reduce their costs. Some companies have taken up self-funding insurance plans—though it's still unclear whether this will save money, especially for the smaller companies. With the increasing presence of technology in full-service restaurants, some large full-service restaurants like Chili's are also turning to tablet technologies and automated orders to reduce the amount of ordering errors and labor employed.

But there's often another way to meet the challenges of cost pressures, and it lies in your back office. Restaurants have more accounting transactions per revenue dollar than any other industry—from vendor orders to credit card transactions and payroll. Some might view this as an unavoidable truth, but in reality this represents one of the biggest opportunities to reduce costs and save more for your business.

### Review and Reengineer

To cut costs in the back office, the first thing a restaurant chain should do is conduct a thorough review of its existing processes to better understand their current state. What is the volume for each type of accounting transaction (accounts payable, accounts receivable, payroll, etc.) processed per month? How long does it take to process an invoice? What percentage of duplicate invoices do you process? How do you keep track of petty cash? What is the cost to process an invoice? To pay an employee? A surprising number of restaurants don't know this basic information. In our own research, restaurant accounting departments spend 60 percent to 70 percent of time and cost on problem resolution, customer service, and general ledger coding.

The second step in this process involves a thorough reengineering of your back office to increase the efficiency of the processes listed above. This may entail:

1. Establishing written business rules that your staff can leverage to process transactions with 99.97 percent accuracy within 24 hours of receipt.
2. Implementing a cloud-based system that allows management to access and approve financial transactions in real time, even on their smartphones.
3. Converting petty cash spending to credit cards that provide a rebate on spend, giving you greater control over the amount and purpose for each transaction.
4. Scanning and/or faxing invoices daily for processing—cutting your staff's time burden to minutes per day.
5. Designing a comprehensive disbursement solution to allow for multiple types of payments to be processed, from electronic payments using virtual credit cards to Automated Clearing House (ACH), wires, and good old-fashioned printed checks.

Implementing these changes takes work, but the payoffs can be huge. And with the Affordable Care Act kicking into full gear by 2016, restaurants can yield big returns quickly if they spend the time now investing in sound, cost-saving back office processes.

*The opinions of contributors are their own. Publication of their writing does not imply endorsement by FSR magazine or Journalistic Inc.*

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