

STETON WHITE PAPER:

5 BEST PRACTICES for Driving Performance
with Real-Time Business Analytics



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Steton®



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Has the combination of rising food costs and the slow economic recovery forced your company, like many restaurant chains, to squeeze any visible food and labor costs out of your enterprise?

If your business is like most, you have probably also found that this ongoing cost squeeze has been further driven by an increased focus on your company's ownership on bottom line financial profitability. What's more, you can expect that food commodity costs will continue their upward trend for years to come.

These issues give rise to the question, "Can further costs be squeezed from existing operations and the existing food supply chain?" Furthermore, how can you recognize and define cost savings opportunities? What business analysis tools are available to assist you, other restaurant executives, and operations managers to identify, analyze, measure, capture, and visualize hard-to-find profit opportunities?

Using the correct business analysis tools, in the right way, will enable you to increase your profit opportunities. The following five best practices will enhance your capacity to harvest data effectively and take positive action to improve your company:

1. Expand your analytics beyond financial and ERP data.
2. Identify the right metrics, which will deliver the management insights you need.
3. Make your insights actionable.
4. Look further than legacy systems by seeking out and integrating the best software available.
5. Start now by choosing an area you believe would reap immediate benefits and getting to work.

THE PROBLEM: OLD SOFTWARE SYSTEMS HAVE GROWN INEFFECTIVE

Before we get deeply into a discussion of the five best practices for implementing effective business analytics, let's take a moment and review the major problem that exists in the current system that many enterprises utilize.

Myriad companies, including those in the service industries, use dated software and database systems called legacy systems. These systems and/or databases are often not compatible with new software systems for a variety of reasons, including:

- Software development companies are technology driven, meaning they historically have not understood service industries.
- Sometimes the software sold to service industries has limited functionality and becomes incapable of serving all of the needs of a large or growing enterprise.
- The effort and time required to customize the software solutions to the needs of a dynamic business are prohibitive at times.
- Software has often been purchased at the corporate level, but the changing face of corporate ownership gets in the way of involving the franchise owners in the utilization of the analytics software.

Too often, software is purchased by executives or managers who do not have a complete picture of the needs of the company. These issues are real and have created obstacles for companies who want to utilize effective and powerful software to help them analyze their business. That being said, these issues do not make it impossible to use legacy systems, as long as they can be integrated with newer analytics.

THE FIVE BEST PRACTICES

To move beyond legacy analytics systems and implement the most effective and powerful analysis solutions, your company can focus on the five best practices mentioned previously. Here they are again:

1. Expand your analytics beyond financial and ERP data.
2. Identify the right metrics, which will deliver the management insights you need.
3. Make your insights actionable.
4. Look further than legacy systems by seeking out and integrating the best software available.
5. Start now by choosing an area you believe would reap immediate benefits and getting to work.

Fortunately, now there are a new breed of business intelligence (BI) solutions available. These solutions can help your enterprise to lengthen its stride when it comes to analytics and data gathering. These BI solutions are able to query and analyze store business information, compare store performance data against KPIs, and provide structured performance reports in a visualized format on your phone or PC. What is more, these reports can identify specific opportunity areas for proactive decision making designed to reduce costs in select, strategic areas.

Furthermore, established software companies that previously provided business intelligence and operations optimization software to manufacturing companies are now reaching out to services industries with simplified versions of the same tools. As you implement the five best practices in your company, you can take advantage of these improved analysis tools.

Specifically, software systems that are called “Real-Time Restaurant Performance Management” are becoming one of the hottest worldwide trends in company software systems. Many executives realize that looking at last week’s sales reports simply isn’t enough in today’s fast-paced corporate environment. Restaurant and hospitality companies need daily and real-time sales, profitability, operations, marketing, inventory levels, quality assurance, and food safety information. Real-time restaurant performance information means that reports are incredibly current and that individual store managers can enter the store’s performance data at a store level. In other words, for companies with completely integrated real-time software business analytics, results can be reported in fractions of seconds.

With that in mind, let’s take a detailed look at the five best practices for implementing effective business analytics:

1. EXPAND YOUR ANALYTICS BEYOND FINANCIAL AND ERP DATA.

It is important that restaurant owners, managers, and executives have a balanced view of restaurant operations. Too many times restaurant executives focus primarily on one or two areas, such as financials, operations, sales, or customer service. However, it is vital to make decisions based on a balanced perspective, which some people call the balanced scorecard approach. This approach provides real-time restaurant performance results across the following four areas at the same time—financial performance, operations performance, organizational learning, and customer feedback. The balanced scorecard is predicated on pre-established key performance indicators (KPIs). Let’s take a closer look at KPIs. Some examples of restaurant KPIs according to the balanced scorecard include:

Financial Performance KPIs

Financial performance measures indicate whether a company’s strategy, implementation, and execution are contributing to bottom-line improvement. Examples include:

- Meet EBITA (Earnings Before Interest, Tax, and Amortization) target
- Meet return on capital
- Meet top 25% percentile of QSR (Quick Service Restaurants) industry standard on quarterly basis

Operational Performance KPIs

Operational performance measures indicate whether a company's stores are meeting the criteria needed to achieve the corporate financial goals. Examples include:

- Employee turnover rate
- Employee satisfaction rate
- Employee productivity level

Customer Learning KPIs

Customer learning measures show the strength of a company's relationship with its customers. Examples include:

- Customer retention
- New customer gain
- Customer satisfaction

2. IDENTIFY THE RIGHT METRICS, WHICH WILL DELIVER THE MANAGEMENT INSIGHTS YOU NEED.

Business KPI Analytics represents the software system's ability to query, analyze, compare to KPIs, and provide structured performance reports in a type of visual scorecard format. A closer look at the following functions and metrics will help explain what business analysis metrics are most appropriate and will deliver the management insights needed by your enterprise.

Query Enterprise Performance Data

First of all, an effective business analytics system needs to be able to query data related to the performance of your enterprise in as many formats as possible. The query operations may also represent searching multiple databases, then aggregating the data into a format that can be analyzed as it is fed into the analytic algorithm. Sometimes the search and query function may also have the appearance of the familiar Google search engine.

Analyze Enterprise Performance Data

The ability of a real-time software analysis function is dependent on several things. First, the quality of analysis is dependent on the depth and scope of the analysis algorithms. Second, the analysis is dependent on the timeliness and quality of the data. And third, it is dependent on the correlation of the data with the KPI standards. In order to extract value, the performance metrics must be written to provide tangible business decision-making information.

Compare Enterprise Performance Data to Pre-established KPIs

Key performance indicators (KPIs) are the key to real-time performance management. KPIs measure business efficiency and provide a context for company or enterprise goals. They help companies monitor and improve their performance, and they spur change. Many companies have not defined KPIs to measure the performance of their company, but a good place to start is with models like "The Balanced Scorecard" which provide a balance of performance metrics across the business functions of an organization.

Performance Reports

Structured business performance reports are essential to reporting the state of your business operations and performance accurately. The term structured is used because it represents a previously formatted report that the BI system can populate as the company desires.

Performance Dashboard Visualization

BI analytics are delivered in colorful reports and a visual dashboard that can be displayed on a computer, iPad, or other mobile devices.

3. MAKE YOUR INSIGHTS ACTIONABLE.

Real-time performance management reporting helps users in several ways. First, it provides real-time business reporting of critical and essential business processes that are measured against pre-established KPI metrics. Second, real-time performance data enables managers to implement "predictive" responses to changing business conditions based on timely and accurate trend data. And thirdly, it enables executives and managers to take proactive corrective business actions to correct negative performance trends or changing business environments.

4. LOOK FURTHER THAN LEGACY SYSTEMS BY SEEKING OUT AND INTEGRATING THE BEST SOFTWARE AVAILABLE.

As we mentioned previously, most companies use legacy systems for their business analytics, some of which are even homegrown or proprietary to the enterprise. Usually, these systems and/or databases are not compatible with new, far more effective and powerful software systems. However, that doesn't mean that they cannot be used with a certain amount of programming.

Some of the built-in obstacles of non-integrated software systems include:

- Capturing and comparing unstructured data in a side-by-side format from customer feedback, focus groups, employee performance.
- Distilling data from various legacy systems into the right KPIs and producing an effective executive balanced scorecard and other management reports.

5. START NOW BY CHOOSING AN AREA YOU BELIEVE WOULD REAP IMMEDIATE BENEFITS AND GETTING TO WORK.

Using powerful business analytics will yield excellent and real-time performance data for your company. These real-time business performance analytics will provide the following department-level benefits:

- Finance and Profitability—enables real-time Proforma, income statements, and business performance data
- Sales—enables moment-by-moment sales reporting on a store basis, city basis, regional basis, test market basis, or on a national basis. Executives and managers do not have to wait days and weeks for results. This immediate information can allow supply chain managers and distributors the ability to change product shipments to stores basis daily sales changes.
- Operations—enables operations managers and the Chief Operating Officer to monitor store performance on a real-time basis against KPI performance metrics, but also enables managers to monitor waste and theft.
- Marketing—enables marketing managers, field directors, and the Chief Marketing Officer to change promotions real-time based on sales trends, request new product testing changes, redirect print or media messages, etc.
- Quality Assurance—enables quality assurance information to be collected electronically with portable handheld devices that eliminate the weekly QA faxed reports that amount to hundreds of pages on a weekly basis, and in many times it is not even read. However, having the information in an electronic database enabled QA managers the opportunity to receive electronic noncompliance reports with corrective action taken by the manufacturer.
- Food Safety—enables Quality Assurance Departments to monitor the location of product to facilitate quick product recall, and product tracking and tracing.
- Inventory Levels—enables purchasing managers to adjust product shipments from manufacturers proactively through distributors to stores, and to set tighter production inventory levels based on real-time sales. In the long term, this helps prevent against out-of-stock and excess inventory both options, which add cost to long term and short term promotions called LTOs. Excess inventories at the end of an LTO promotion can wipe out all profit gained through the promotion because profit margins are thin.

BENEFITS OF IMPLEMENTING THESE FIVE BEST PRACTICES

Restaurant and hospitality performance management delivers the right information at the right time—from the right sources to the right people. Its efficient, automated performance measurement and business data reporting allow you to track successes, identify issues, and make changes for the better. Using the Five Best Practices will ensure that the solutions you innovate will be actionable, secure and objective in order to implement your operational standards better.

General Benefits

Real-time data instantly activates alerts that give stakeholders global visibility into insights and trends that matter. With role-based notifications, teams are informed on pressing issues and changes. Reports of completed audits, issues found and corrected, and compliance against corporate standards demonstrate productivity to corporate stakeholders and keep business objectives running.

Reporting

Review actionable insight into assessments, audits, findings, and corrective actions. Easily identify performance variances and root causes, areas for change, and improvements achieved. Discover powerful data summaries, trending analysis, standards benchmarking, issue correlation, and issue forecasting. Create departmental and executive performance scorecards that will lead to better insight, planning, and execution.

Corrective Action Management

Gain visibility into corrective action plans to enable on-time and accurate completion. Real-time access, email alerts and notifications sent to task owners and reviewers helps identify organizational bottlenecks and improve employee engagement. Reports on action plans status (such as critical, overdue, urgent, or closed), by priority by persons, by location, cost of action plans by location, and other key performance indicators help instill accountability across the organization.

Communication and Administration

Configure email notifications to alert relevant stakeholders by role as issues are identified, empowering each individual to make necessary improvements. Increase accountability with automated escalation processes and notifications. Set up automatic action plans assigned to appropriate parties upon completion violations and establish reminders so that important issues are corrected.

GET STARTED

The first step in getting started with the five best practices is recognizing the needs and benefits associated with real-time restaurant and hospitality performance management. Second, we are prepared to help you identify KPIs across multiple departments within your organization, and across multiple levels within each department. We will then help you prioritize those KPIs based on “business value,” and rank them within specific departments. Third, we will map your business KPI needs with a solution architecture so that you can visualize and define a solution unique to you with a projected ROI.

ABOUT STETON

Steton mobile and cloud-based software helps companies align their operations with their performance standards so they can run better, stay in compliance, and strengthen brand consistency across the enterprise. Companies in industries such as food service, hospitality, and retail use Steton to gain aggregated visibility into each aspect of their operation to allow for continuous process monitoring, problem identification, corrective action implementation, and repeated success. As a result of this actionable business intelligence, Steton is able to transform businesses into high performance organizations, increasing same-store revenues and uncovering strengths that can be leveraged across the enterprise.



- Over 285,000 users
- 1.67 million audits per year
- 27,000 hotels and resort properties
- 120 countries and territories
- 39 languages supported

Find out how Steton can help you improve your operation today.

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