

Fourth

Automating Hospitality Inventory Management for Minimized Supply Costs

Give operators the tools they need to succeed

Table of Contents

Automation Isn’t Just a Buzzword 3

The Service Industry Doesn't Have Time for Outdated Inventory 4

The Problem(s) with Spreadsheets 5

Spot Counting Increases Efficiency, Accuracy and Accountability 6

Alerts Help Find Mistakes and Fix them on the Spot 7

Automate Forecast Generation to Minimize Your Costs 8

Transparency Is Key to Data-Driven Decision Making 9

Summary 10

Automation Isn't Just a Buzzword

The industry is buzzing about automation these days. With labor costs expected to double and the consumer demand for a seamless checkout experience, the focus is on how to automate the front of house with kiosks and mobile payments. But before you go out and buy a pancake-flipping robot or a delivery drone, let's talk about the basic back office processes that many service enterprises have yet to fully automate.

This ebook will explore the need for modern, mobile inventory management software that helps automate some of the basic tasks that take up the valuable time of your most valued employees. While auto-counting may be a thing someday, it's not here yet. If you can't fully automate the inventory process, you can at least use tools that automate its more cumbersome aspects. Maximum labor output, higher levels of accuracy, and better accountability are possible with a system that automates certain tasks to enable optimum productivity and on-the-job success.



The Service Industry Doesn't Have Time for Outdated Inventory Management

Hospitality operators are busy people, and every minute counts. Fifty-plus hour weeks are not unheard of and burnout is a big contributor to high turnover. While turnover is an accepted reality in the industry, manager retention is proven to be key to repeat customers and happy employees. It's also critical for cost management if you consider that the average turnover cost of a hospitality manager at $15,271, according to research firm TDn2K.

Manager turnover is a concern when you consider how tedious inventory can be. It's time-consuming and chains them to the back office desktop. Yet those day-to-day decisions around inventory can define a business' success or failure, as inventory management impacts the bottom line. High operating and supply costs are considered the second-largest concern for operators. In fact, 60% of hospitality operators say that food costs are a significant challenge, continuously eating away at their profits. Supply costs are expected to rise as COVID-19 strains global supply chains, so those concerns are not going away anytime soon.

Inventory is a Major Concern for Operators — and Therefore Managers

#2

High Supply Costs is a Major Concern for Operators

60%

Operators Who Say Supply Costs are a **Significant Challenge**

3.9%

Rise in Food Costs in 2020 from 2019

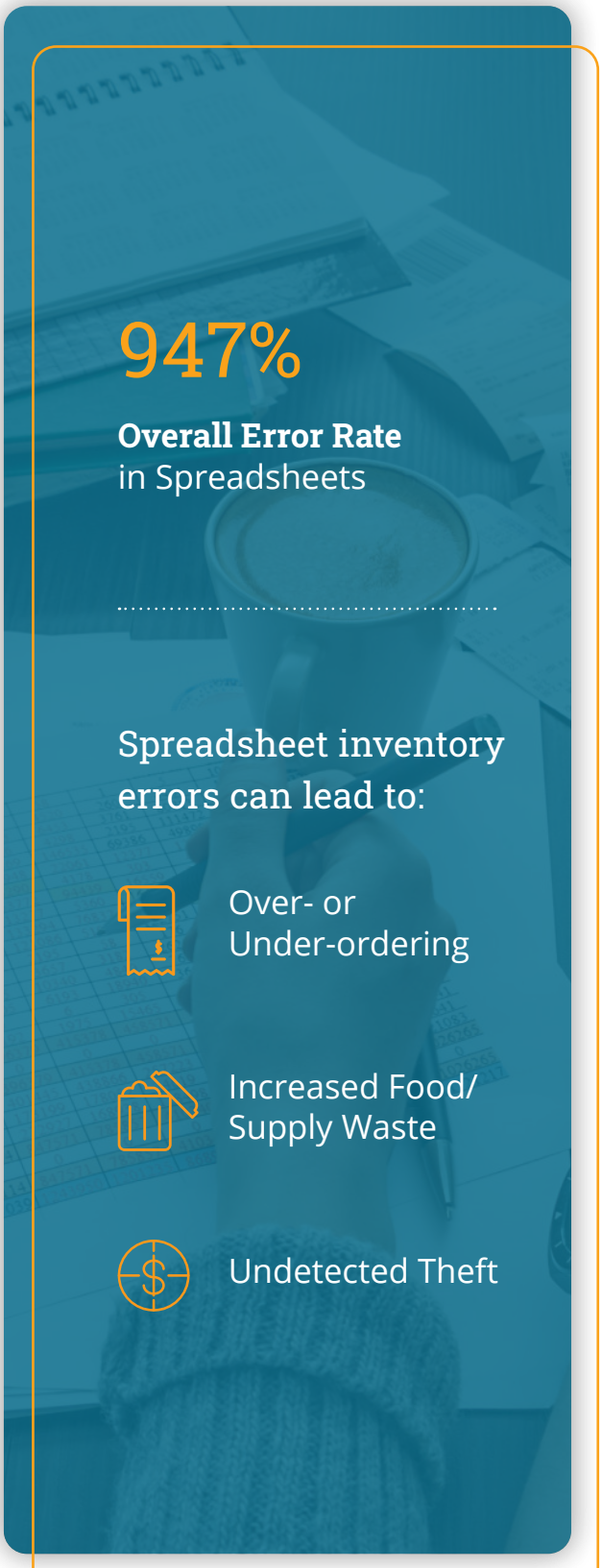
(Source: U.S. Bureau of Labor Statistics)

As operators become increasingly concerned about supply costs, inventory management becomes a key KPI for managers. But too many managers lack modern tools to be truly successful in this area.

The Problem(s) with Outdated Systems

It is hard to believe that with all the technology available to us today how spreadsheet-based inventory processes are still overwhelmingly common. Even when hospitality chains make inventory management technology available, those systems tend to be antiquated and configured for the corporate office and accounting needs — not the operations team that depends on the tool daily.

When inventory is tracked manually, patterns of waste, theft, and inefficiency fly under the radar. There are lots of reasons to avoid spreadsheets or paper but the most obvious one is those errors can go uncorrected for long periods of time, resulting in a string of bad decisions like over- or under-ordering, increased waste and theft. In fact, a Carnegie Mellon study found that the overall error rate on spreadsheets was an incredible 947%. You need to be an Excel master to draw any insightful conclusions on your cost of goods sold under a spreadsheets-only model.



Spot Counting Increases Efficiency, Accuracy & Accountability

What if you could reduce the number of errors in your inventory process and cut the time it takes to count inventory by more than half? Inventory management software solutions with spot count configuration (also known as cycle counting) allow leaders to select items that usually have a high variance or high cost and configure blind counts of those items on a more frequent basis.

A manager may take a full inventory on Monday, then check steaks on Tuesday and champagne on Friday. By spot counting inventory or only counting certain portions of it at a time, operators can avoid wasting hours on numerous full inventory counts that can drag late into the night.

Increasing productivity has long been a key driver for new IT purchases. By automating the spot count selection, and therefore reducing count time, operators can:



Reduce
Labor and Supply Cost



Prevent Errors
Common in Manual Processes



Give Operators Time Back
to Focus on Their Customers

Alerts Help Find Mistakes and Fix them on the Spot

Alerts are nothing new and every system sends them. The problem is when alerts and notifications become noise — if they are too frequent or don't provide actionable information. Modern inventory management should offer the ability to configure alerts that focus on exceptions, not the everyday occurrence. Operators need the ability to set thresholds on an acceptable variance or level of on-hand product.

For instance, if a manager is receiving product from a vendor and the order is short, the system should alert the manager on the spot that they will not have enough product based on expected sales volume for the week. The ability to take corrective action at that moment within the same application is key. This type of automation helps to drive favorable behavior and decisions at the store level.



Automate Forecast Generation for Operational Consistency

It's really hard to predict an outcome. If it wasn't, most of us would be in Vegas right now instead of "in the weeds." What we know to be true at Fourth is that forecasting is a non-negotiable part of hospitality management. So why don't all service organizations use it?That's a complicated question Fourth is uniquely positioned to dive into since we support thousands of hospitality locations with their labor-management efforts today. We find that roughly 30% of locations don't consistently run a forecast to make staffing decisions even though they have the tools to do so.

More often than not, operators rely on the "gut algorithm" to make decisions. Rather than trust a computer-generated or corporate-driven forecast, they make predictions based on their tenure and experience.

So what if the forecast was served up to your operators based on pre-configured corporate goals and objectives? Automation of the forecast ensures that best practices are followed consistently throughout the organization and saves significant time by replacing manual work.

The impact of an inaccurate forecast, especially amid pandemic operations, is far-reaching and can have a domino effect on the business. From product ordering to waste management, automated forecast generation results in the following benefits:



Reduced Cost of Goods Sold (COGS):

When organizations order based on forecasted demand instead of intuition, the result is less waste and higher levels of accuracy.



Accurate Ordering:

Inventory solutions should consider anticipated demand, on-hand inventory, historical sales, and pre-configured PAR levels into consideration to automatically generate a suggested order.



On-Target Production:

Automatically create a production schedule to meet demand with pre-defined time frames eliminating extra work that results in waste.

Transparency Is Key to Data-Driven Decision Making

For clarity and fast response, operators need to easily access and understand the critical metrics that impact profitability. While dashboards are fairly common in back-office systems, the ability to drill into the details and extract key conclusions without combing through dozens of data points is not.

Operators make daily decisions such as how much product to order or how to adapt the schedule to meet the demands of a last-minute catering order. Wouldn't it be great if they could rely on a single application to not only view the data to support those decisions but also reflect on the shift and communicate plans for improvement?

Consolidated planning tools and dashboards provide context for operators when making decisions. A major change in the forecast could be explained by a store log entry. An adjustment to a standard order could be based on a promotion that was recently added to your store calendar. Imagine if operators could spend more time REVIEWING your data, taking action on insights, and optimizing business performance rather than searching for clues and running hard-to-comprehend reports across different systems. Ideally, a modern inventory solution should empower operators to:



Easily review forecast adjustments and the associated impact, creating a continuous feedback loop and opportunities for coaching.



Drill into specific detail on critical items — e.g. "what are my top 10 waste areas?" — and communicate corrective action plans immediately.



View KPIs at-a-glance that present hourly data updates to know where they stand with their forecast and schedules.

Summary

There's a definite need for more agile hospitality technology. Some of the first innovations in hospitality tech set out to mediate the challenges created by food cost, waste and inventory management — but there's been a lag in development over the years. Industry leaders are looking for more nimble ways to drive inventory best practices across management teams. There's also a need to understand where issues are happening on a global scale — intuitive reporting and heightened visibility to get better controls over supply costs and waste continues to be a problem that modern technology can solve.

A modern inventory management system should reduce the time drain and simplify these processes resulting in improved operational performance and job satisfaction:



Streamline the counting process for reduced errors and better use of your employees' time.



Alert operators to exceptions without overloading them with a lot of unnecessary noise.



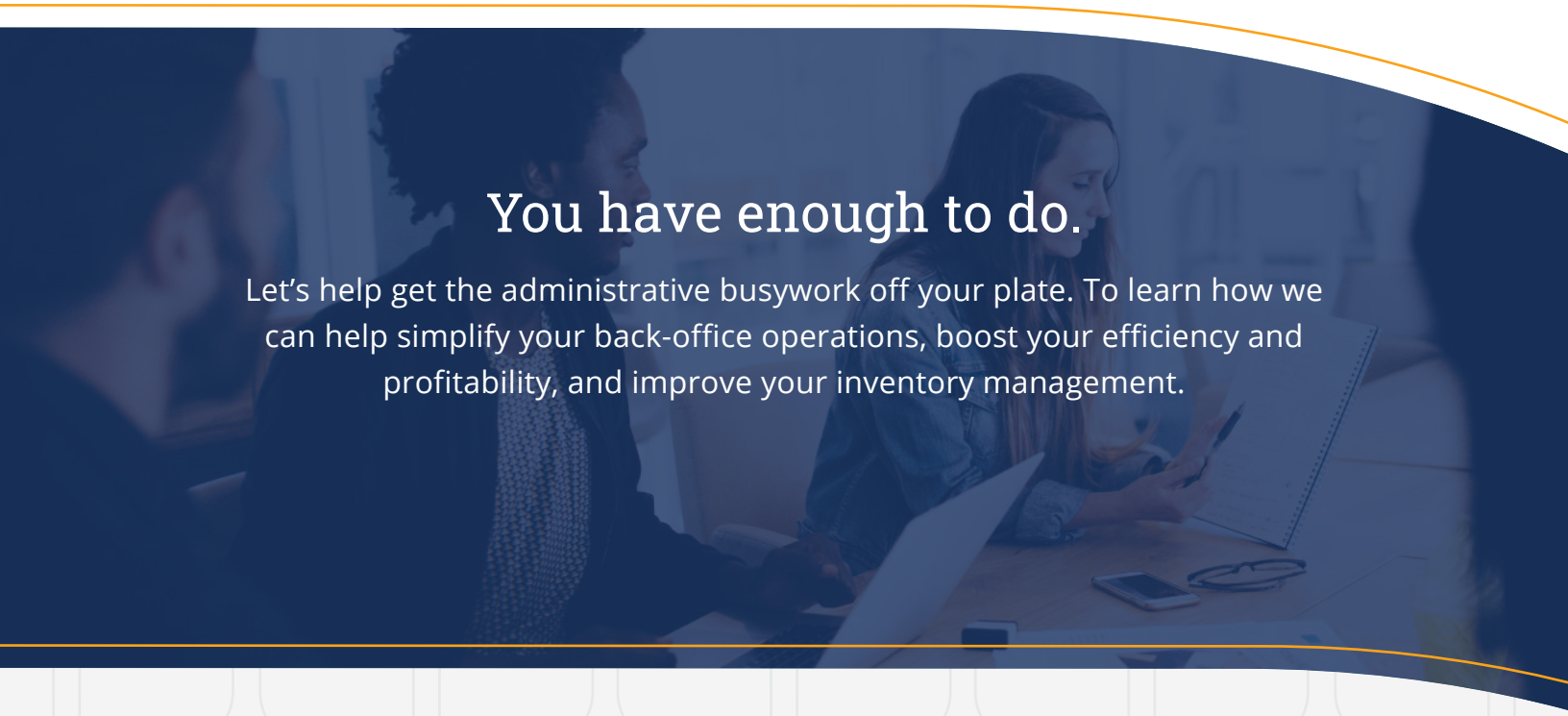
Improve operational consistency and decision-making processes with automated forecast generation and consolidated planning tools.



Automatically generate orders and view reporting that provides key insights into how their business can operate more effectively all from one integrated, easy-to-use interface.

About Fourth

We provide end-to-end, best-in-class technology and services for the restaurant and hospitality industries. Our inventory and workforce management solutions, coupled with the industry's most complete data and analytics suite, give operators the actionable insights they need to control costs, scale profitability, improve employee engagement, and maintain compliance. Headquartered in Austin, Texas, we serve more than 7,000 customers across 120,000 locations globally.



You have enough to do.

Let’s help get the administrative busywork off your plate. To learn how we can help simplify your back-office operations, boost your efficiency and profitability, and improve your inventory management.

Fourth

Visit Fourth.com/contact-us