

DETERMINISTICS WHITE PAPER RESEARCH

INTRODUCING "CONTEXTUAL" LABOR MANAGEMENT

# Labor Economics

Variable Menu Pricing

Sub Recipes

Seasonality

Day of Week

Purpose of Visit

Dine In

Daypart

Limited Time Offer



## Welcome to Deterministics White Paper Research

25 years customizing restaurant labor management systems. This is the consulting and implementation experience with chain operators that we've drawn upon to document the state of labor management standards in the restaurant industry. The abstract below introduces the first in a three part White Paper series that describes how new systems can put labor standards "in context" while making fixed, picture-in-time labor standards obsolete. Ponder the possibilities and enjoy!

### ***AN ASSESSMENT OF LABOR MANAGEMENT STANDARDS FOR THE RESTAURANT INDUSTRY***

***PART 1 - Introducing A New Era Of "Contextual" Labor Management***

***PART 2 – The Components of Contextual Labor Management Systems***

***PART 3 – Why Aren't Sales And Productivity Metrics Close Enough?***

#### **Part 1**

### **Introducing A New Era Of "Contextual" Labor Management**

#### **New Labor Systems Flex Staffing Targets to Accommodate Guest Preferences**

In a restaurant world heaving with marketing promotions and guests demanding customized experiences, labor staffing targets must flex with differing guest preferences and company marketing programs. New labor systems now afford a way of personalizing a store's labor targets based on guest needs and marketing programs outside the restaurant managers' control.

In a "contextual" labor management system, the dynamics of labor targets change depending on who is in the store and how they wish to use the experience. Labor requirements expand and contract depending on differing seating arrival rates, party sizes, service requests, table turn durations, marketing promotions, menu item choices and bar sales mixes. Everyday managers must adjust their staffing deployment in real time based on customer decisions about how they want to use the experience, in other words, in the context of meeting their needs. Contextual labor systems, like the **Deterministics Labor System**, now offer operators credible labor guidelines that they can believe in and adhere to because they are based on a brand's standards and flex with the needs of each guest experience.

### **The Case for Contextual Labor Management (CLM)**

Restaurants are complex enterprises where the variables of combining customer service and food manufacturing under the same roof lead to labor staffing challenges. Throw into this mix the variability of demand factors displayed below and you can see the *cocktail of customization* managers face to effectively staff each day.

#### **Demand Variability Factors**

Macro environments that impact when and how many guests will patronize

- Store location - freestanding, office building, shopping strip, mall, airport, concession
- Seasonality
- Day of week
- Daypart
- Demographics - gender, age
- Purpose of visit - refuel, reward, special occasion, business occasion, neighborhood occasion

Restaurant environments that impact how guest will use the experience

- Seasonal menu rotation
- Daily menu rotation
- Variable menu pricing
- Limited time offers - new menu items, item discounting, menu bundling
- Daily specials - early bird, happy hour
- Service offerings - bar, dining room, take out - all with differing labor economics and differing service durations
- Menu offerings with differing labor economics - e.g. Salad X takes 1.5 minutes to prepare while Salad Y takes 3.1 minutes
- Prep sub recipes - each food recipe requires a corresponding Labor Recipe™ to calculate the amount of replenishment and the amount of work time based on menu item purchases

All these factors combine to affect the variability of business patterns that determine where, when, why and how the guest will use the restaurant experience. Each of these factors forms a kaleidoscope of operating environments that change the mix of guest arrival rates, party sizes, service steps, table turn durations, menu item choices and bar sales mixes that exhibit differing labor economics. This in turn impacts the number and duration of restaurant staff based on their contribution in the service-and-production-delivery chain on a shift by shift and minute by minute basis. All restaurant managers will tell you that no restaurant experience is the same. They will say "a guest is not a guest, a plate is not a plate, a check is not a check, a table is not a table and therefore...one restaurant's performance is not a good proxy for another."

### **Metrics of Labor Management**

To effectively plan and staff for business needs, restaurant companies have employed a variety of metrics to calculate required labor hours. The most common are a labor percent of sales, followed by productivity metrics such as sales/hour, guests/hour, checks/hour, plates/hour, and tables/hour. At a companywide level these can be important benchmark metrics for "C" level management and investors. However, they are not useful in day to day staffing decisions since they do not reflect the dynamic nature of marketing promotions and differing guest experiences in each restaurant, each day.

### **The Contextual Labor Management (CLM) Solution**

Accurate labor management requires a combination of time studied work tasks and technology configured for each restaurant's operating environment. CLM systems, like the **Deterministics Labor System**, account for all variability factors in the guest experience that change the labor economics required to ensure a good experience. It also accounts for the complex interrelationships of a food manufacturing facility with layers of shared sub recipe prep work that supports final menu item execution in each cook station. Contextual Labor Management reflects the labor dynamics of each store based on actual guest purchase patterns.

In Part 2 of this White Paper series we discuss "**The Components of CLM Systems**" that provide a new path forward for achieving staffing success for the customer, the manager and the company.