



# How to Calculate Your Restaurant's ROI from a POS Deployment



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In today's highly-competitive foodservice environment, it's a no-brainer that restaurant owners want to invest in the technology that will provide the most return on investment (ROI). However, calculating the actual ROI can be tricky. It's easy to see many benefits, like speedier checkout and faster table turns, but today's POS systems are capable of much more than ringing up and recording transactions. These complex functions—inventory control, labor management, employee accountability, and targeted marketing to name a few—are no less valuable, but they can be harder to quantify.

To calculate the ROI on your POS system, you need to look at multiple elements of your operation, considering key areas of return, as well as less-prominent areas.

**Here are a few areas to look at:**

## Improved Accuracy, Efficiency, and Customer Experience

One of the biggest draws of a POS system, aside from its ability to process transactions, is its ability to increase efficiency and customer satisfaction by automating tasks, streamlining operations, and improving accuracy. It does this in a variety of ways.

### ➔ **TABLET POINT OF SALE**

Tablets provide more mobility, and subsequently, more speed. This allows servers to take orders tableside, which eliminates errors that stem from servers forgetting items or kitchen staff misreading handwritten tickets. Fewer errors translates into less waste. Additionally, when servers can take payments and close checks right at the table, those tables can be turned much faster.

### ➔ **SELF-ORDER KIOSKS**

If your POS has the ability to incorporate kiosks, you can leverage these to bust lines and save on labor costs. Kiosks free up employees to focus on other tasks, while also providing opportunities to upsell and cross-sell to customers. Since customers can input their own orders, kiosk also serve to further reduce order errors.

### ➔ INTEGRATED LOYALTY PROGRAMS

It's no secret that retaining existing customers is less expensive than bringing in new ones. Advanced POS systems now have the capability to improve customer retention. By tracking guest history, you can send targeted offers based on their established preferences, increasing the likelihood that your offers will be redeemed. Equipped with data, you will be able to offer a more personalized experience and reward loyalty, which increases customer satisfaction and the likelihood customers will return.

### ➔ DIGITAL ORDERING CHANNELS

Today's restaurant industry is an omnichannel one. Implementing digital ordering channels offers customers the opportunity to order online or through a mobile app. Online and mobile ordering opens you up to a wider audience and makes it easier for customers to choose your restaurant. When customers can order at their convenience, they have more time to browse your menu and find additional items they want to order. Online ordering makes it easier to upsell and cross-sell, while simultaneously reducing order errors because customers can input their own orders.

## ROI Potential

Our hypothetical restaurant's sales average \$50,000 per month, or \$600,000 annually. With the right POS system, restaurants can cut costs by improving accuracy and efficiency. Here's what that could mean for your business:

- 1.50% per year lost to slow table turns:  $\$600,000 \times 0.015 = \$9,000$
- 1.25% per year lost to order errors:  $\$600,000 \times 0.0125 = \$7,500$
- 3% of revenue gained from increased average guest check (i.e. one additional drink/table), less food & beverage costs at 50%:  $\$300,000 \times 0.03 = \$9,000$

Even if you only count the increased efficiency and upselling opportunities, you still gain an additional \$25,000 in annual revenue—a 4.25% incremental increase.



## Proper Inventory Tracking

Aside from labor, a restaurant's biggest expense is its inventory. This includes food, beverages, and supplies. Even small savings from more accurate inventory control can add up over time to greatly improve profitability.

You can leverage built-in reporting to ensure you always have the right stock on hand. Review sales data on a large scale, or break it down by individual menu item so you can quickly compare expected inventory levels with what you have on-hand and pinpoint any potential areas of waste and/or theft.

As you collect more data over time, the value of these reporting features will actually increase. You'll be able to compile historical data that will help you sharpen forecasts and make more informed purchasing decisions, instead of relying on guesswork.

POS systems can alert management when stock items are low, and automatically reorder stock when it reaches a certain threshold, which saves time and prevents stock-outs and disgruntled customers. You can save more time by automating inventory reconciliation, importing existing inventory lists, and controlling the inventory for multiple locations at one time. Make sure to consider these time savings when calculating your ROI.

## ROI Potential

You can save as much as 1% total revenue by reducing food and beverage requisition waste. For our hypothetical restaurant with \$600,000 in annual revenue, this translates to a cost savings of \$6,000 per year.

## Better Labor Management

POS systems don't just help with inventory and kitchen management. Today's systems also help you manage many different areas of labor, from basic time and attendance, to forecasting seasonal fluctuations in need. Rather than using disparate systems for clocking employees in and out, scheduling, and monitoring performance, combine areas of management into a single system for a more complete picture.

An advanced system will let employees clock in and out, create scheduling suggestions based on historical data and projected sales, and let you compare and contrast labor with sales to reduce waste while maintaining appropriate coverage.

Keeping your labor management in one place will make it easier to compile data and integrate an in-house accounting system, or export data to a third-party payroll management service, which further improves accuracy.

## ROI Potential

Say a restaurant has five employees, each earning \$10 per hour. If each employee gets to work at 8:05 a.m. and leaves at 4:50 p.m., but writes 8:00 a.m. to 5:00 p.m. on a time card, the restaurant is giving away 15 minutes of pay to each employee. This may not seem like much, but it can quickly add up:

- 15 minutes x 5 employees = 75 minutes per day
- 75 minutes per day x 5 days per week = 375 minutes (6.25 hours) per week
- 6.25 hours per week x \$10 per hour = \$62.50 per week x 52 weeks per year = \$3,250 per year

That \$3,250 number represents how much you lose annually when employees aren't held accountable. Integrating time clock functionality can reduce a restaurant's labor costs by 8.8% per year.



## Reduced Theft and Shrinkage

Today's POS systems go a long way towards mitigating theft and shrinkage. Employees know that the software tracks everything from guest checks and gift cards to food and beverage supplies, and that they will be held accountable if they try to steal from you or "game" the system. When your POS provides easy-to-access reporting, you can easily discover discrepancies, errors, and even fraud.

Some POS systems include integrated surveillance systems that record each transaction. This allows managers to pinpoint specific transactions and target times when suspected employees are on duty. You'll be able to view any theft that occurs, as well as freebies given out to friends and family members.

## ROI Potential

If our hypothetical restaurant with \$600,000 per year in annual revenue reduces loss from outright theft and untracked comps, they can save:

- 1.25% per year lost to theft:  $\$600,000 \times 0.0125 = \$7,500$
- \$900 per month in untracked comps:  $\$900 \times 12 = \$10,800$

The \$18,300 in resulting savings represents a 3.05% revenue increase for the restaurant.

## Choosing a POS Vendor

You can determine whether or not you will realize a solid return from a POS system by plugging your own numbers into these formulas. If the results come up in your favor, the next step is to choose the right vendor for your business model and your specific applications. Here's how to narrow down your options:

### ➔ SPECIALTY AND EXPERIENCE

Make sure you work with a vendor that not only specializes in the rest restaurant industry, but your specific vertical. Fine dining establishments have different needs than quick-service or fast casual restaurants, so they may need a different system. Experienced vendors that know your vertical will be able to identify the right solution for you from the start. They'll also know which type of software as a service or legacy system will best suit your business.

### ➔ LENGTH IN BUSINESS

If a vendor has been in business for a long time, you know they're dependable. You can count on them to stick with you through the lifespan of your system, which could reach five to seven years.

### ➔ INSTALLATION PLANNING

Qualified POS installers will not take a standardized, cookie-cutter approach to installation. They will perform surveys, ask questions, and analyze your specific needs, including testing your existing infrastructure and power lines. The first few weeks of an installation are crucial, so determine how often the vendor will be on-site before, during, and after your launch date.



## ➔ SUPPORT

Meet the people who will be responsible for managing and delivering customer support, and ensure you know exactly what will be provided in terms of response times, repair policies, telephone, online, and in-person support.

## ➔ FACILITY TOUR AND DEMONSTRATIONS

Get a sense of the vendor's operation by visiting their facility and seeing their repair shop. Ask for an organizational chart and tour the help desk. In addition, ask for a hands-on demonstration of your prospective POS system.

## ➔ PROPOSALS

Any serious proposal from a vendor should include:

- Total cost, through implementation, initial training, live support, and follow-up
- Line item description of items, all tasks, all responsibilities, and all costs
- Support plan agreement costs and detailed parameters
- Detailed implementation information and timeline. Allow 4-6 weeks from time of order to time of installation for a proper implementation.





## Future Focus

Good vendors know what's on the horizon with POS technology and the restaurant business. Whether it's customer database marketing, new payment options and requirements, mobile technology, or loyalty programs, the vendor should be able to discuss how to leverage these capabilities in your restaurant and help you integrate them when the time is right.

As POS systems expand to handle more and more aspects of restaurant operations, it gets increasingly difficult to calculate the precise ROI they offer. Most of the value of a POS comes from what you do with the tighter control and greater visibility it gives you. The more you automate tasks and act on the data you find, the greater your return will be—whether it's from streamlining inventory and labor, identifying and reducing areas of waste, or offering better promotions to bring in more customers and build loyalty.

Selecting the right POS is half the battle—the rest is how you use it. The experts at Focus POS can help you identify the best solution for you, and advise you on how you can get the most out of your system.

**For more information, contact Focus today.**