

Quick Service Restaurant (Fast Food) Case Study



BACKGROUND

A Quick Service Restaurant franchise owner engaged EmLogis to conduct a scheduling practices audit at three of his 25 restaurants.

PROBLEM

Payroll costs were out of line and thus pulling down profits.

EMLOGIS ENGAGEMENT

Data was acquired from the three different restaurants in the Houston metropolitan area. The demand or labor forecast requirement for these three facilities were generated in fifteen-minute increments by a system provided by the franchisor. The demand requirements were gathered from the POS systems with a standard ratio of employees to sales revenue prescribed by the franchisor. The demand data was site specific and provided to the franchisee along with a scheduling system.

The demand data was uploaded into the EmLogis software and averaged to half hour requirements to determine a series of work shifts that would best match each facility's demand. The employee data (approximately 40 per store) was also entered into the software (name, pay rate, skill set, availability and worker preference for days/hours). Work schedules were created by EmLogis that satisfied the availability and hourly needs of the employees while properly matching their skill-sets to needs of the facility. The schedules were compared to the results generated by the scheduling system provided to the franchise owner.

The labor forecast requirements vary from day-to-day resulting in a unique daily demand. Corporate guidelines set a minimum shift at 4 hours and a maximum at 9 hours per day.

One of the challenges for the managers at each restaurant is to design the optimum shift structure to exactly fit the serrated demand curve. The traditional shifts created with the current scheduling system delivered significant overlap and inefficiency around the peaks, leading to a drain on the bottom-line profits as a result of overstaffing.

SOLUTION

Significant peaks and valleys exist in the labor requirements for the facility (as shown in Figure 1), specifically around breakfast and lunch hours. In some cases head count requirements could go up by a factor of two over a very short period of time.

Summary of Results

- **20% reduction** in payroll by reducing overstaffing.
- **100% of fulfillment** of customer service requirements by more effective utilization of team members.
- **Upside potential for \$2 million** in benefits for a single franchise owner.
- Additional value in reduced team member turnover costs delivers an aggregated ROI in excess of **10:1**.
- Corporate-wide implementation would result in a billion dollars of additional profit to franchise owners.

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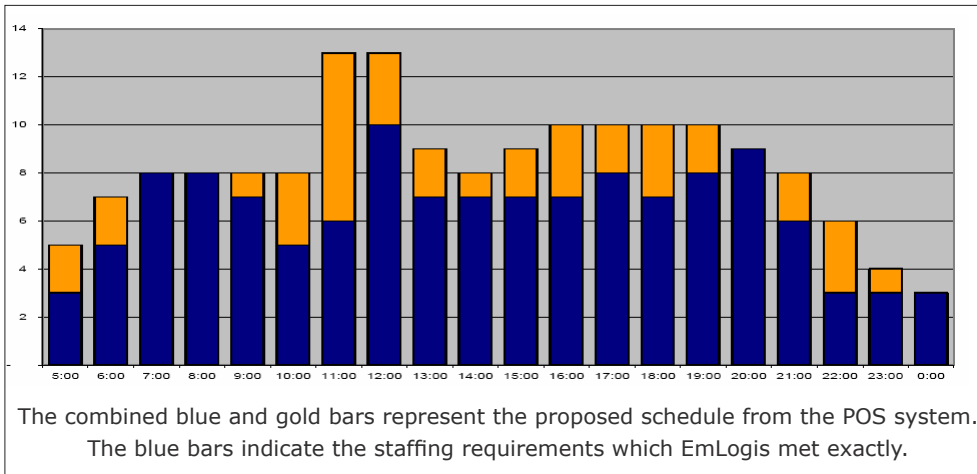
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A second challenge is dealing with a somewhat unreliable part-time labor pool. It is difficult to keep track of employee availability issues and often employees simply would not show on a given day. Their current practice of the managers was to schedule extra personnel around peak times to insure customer service. EmLogis followed this practice as part of the audit exercise.



The EmLogis solution created a shift structure that exactly matched the demand curve and removed excess capacity around down times between breakfast and lunch or mid afternoons. In addition, we were also able to provide extra capacity during critical peak times to deal with no show events. Our solution provided a lower cost schedule (average of \$1,500 per week for each restaurant) that was much more reliable than their current practices. In addition, management was able to better address availability constraints of the part-time labor pool.

IMPACT

By properly matching work shifts to the facility's demand curve (even with the manager requested additional buffer at peak hours to cover for unreliable employees), the franchise owner was provided an average savings of 40 man-hours per day. This equates to an estimated \$80,000 per restaurant per year for each of the 25 restaurants or \$2 million of annual profit. For this case study, the owner was part of a national franchise corporation with more than 10,000 restaurants, potentially leading to nearly a billion dollar of value for the franchise owners.

Additional areas of value:

- As employee moral improved, so did the customer experience.
- Turnover is expected to decrease as a result of employees being empowered with their work schedules.

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