Foodservice CEO

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October 2023

Manage and minimize payment processing fees

For many Americans, cash is fast becoming a relic of life before the pandemic. According to a Pew Research Center survey released last year, 41 percent of Americans said that none of their purchases in a typical week were made with cash, up from 29 percent in 2018 and 24 percent in 2015.

But as digital payments have become the norm in the past few years and new technology solutions have appeared on the market to enable these transactions, sneaky fees have also become more commonplace. Unfortunately, while these transactions can supply restaurants with data that provide a wealth of guest insights, they also deplete margins. Further, since digital payment processing is new and evolving, it involves additional fees that may be unfamiliar to operators and easy to overlook. In order to keep costs in check, it's important to recognize the range of processing fees you may be charged, as well as what combinations of fees can signify that you should make changes or negotiate alternatives.

A recent report from Modern Restaurant Management indicated that we will likely see an increase in AI-assisted auditing services that can help restaurant operators identify and weed out these hidden fees. In the meantime, it advises operators watch for these fees on statements:

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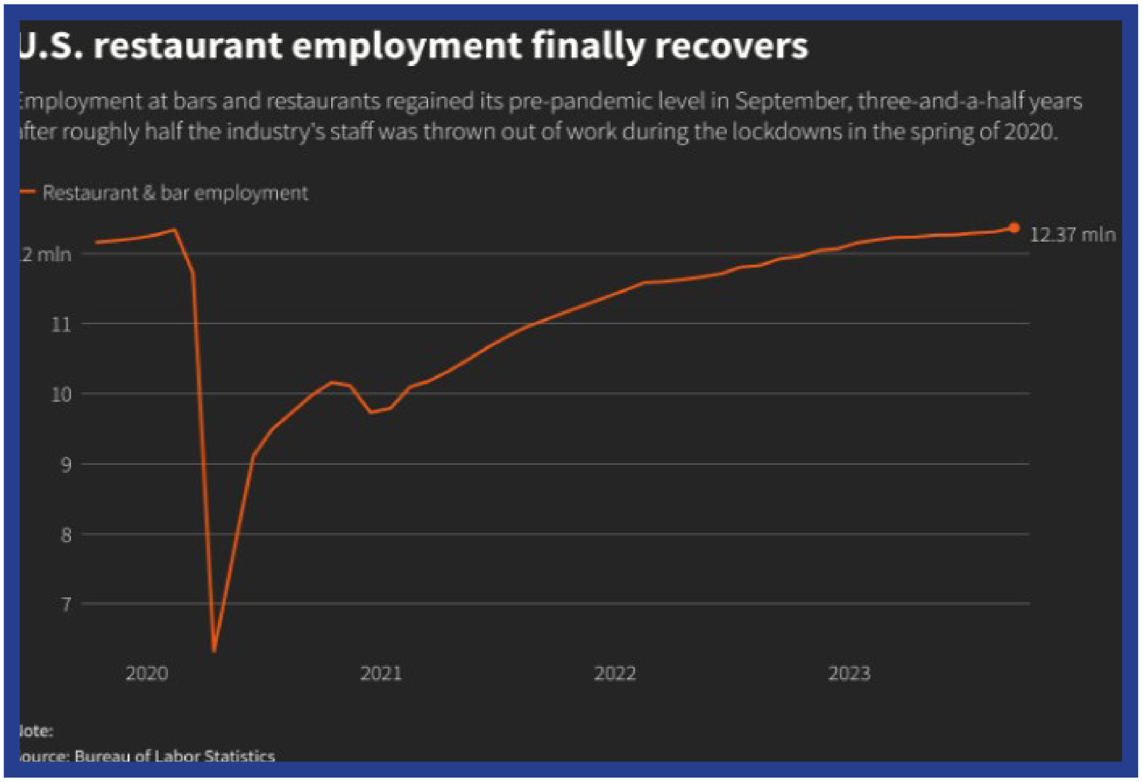
Hang on to employment gains

In September, the addition of 61,000 restaurant jobs meant U.S. restaurant employment reached pre-pandemic levels for the first time in over three years. The gains in restaurant and bar employment were nearly double the average of 37,000 jobs added monthly throughout the past year. Of course, this comes as welcome news for many restaurant operators that have been struggling with the labor stresses of the past few years – and it provides some reasons for optimism about the potential for ongoing recovery in the sector.

But it's also a good time to pause and take steps to help keep – and even build upon – these long-awaited gains. Labor attraction and retention is a perennial challenge in the sector. Restaurant operators have an opportunity right now to strengthen their culture in ways that help retain talent. Fine-tune your methods of communicating with employees – and for your team to share concerns or other input with you in ways that don't feel intimidating. Survey them regularly to collect their feedback on what is going well and what support they need. Whenever you use their input to select a new employee benefit or adjust procedures or training practices, make sure they know you're responding to their concerns.

Give them some flexibility and autonomy. Allow them to schedule their shifts far in advance – ideally with an automated system they can access themselves – so they can balance work with other responsibilities and avoid burnout. Adapt training to accommodate different learning needs and native languages.

Of course, the compensation you offer is important in getting people to apply for jobs at your restaurant – but it may not be enough to make them stay. Where possible, offer retention bonuses once they have been with you for a certain period of time and referral bonuses when they recommend new hires who stick around. If you offer rewards for performance, take cues from your loyalty program and allow people to choose the reward that best suits their personal tastes. And don't neglect nonmonetary benefits that can make people feel more connected to the larger team – personal thank-you notes, team meals and mentoring opportunities can help improve engagement too.



Source: Reuters graphics

Subtle shifts, big improvements

In the restaurant business, your profit is food and your cash is water. Your business may survive for a time without profit, but it's going to fail without cash. That's how Jonathan Rosa, a small business finance consultant, spoke about the importance of understanding cashflow in a recent episode of the Restaurant Rockstars podcast. To thoroughly understand your cash position, you need to have systems in place to monitor where your cash is going every day. Otherwise, that cash is likely leaking out – through wastage, breakage or other means – when it could be feeding your bonus pool, employee incentives, capital improvements and other parts of your business that need resources.

Do you need to get a better handle on your business cashflow? If so, it doesn't require sweeping changes or expensive systems. In fact, your biggest savings will likely be the culmination of many incremental changes you're making throughout your business – and you can do it with a spreadsheet. To start, Rosa recommends tracking cash inflows and outflows every day for 30 days. It will show where cash is going and highlight your biggest areas of expense. Review your invoice history and track how prices are evolving, what items cost you the most, and which of these items might be adjusted through portioning or through substitution with a similar ingredient.

Then give your menu a regular review. Systematic menu costing is something that doesn't happen frequently enough at most restaurants, but it should. Otherwise, you might have a packed restaurant and busy staff on a Saturday night but find that you're falling short on profits. Your burger menu may be drawing crowds and rave reviews, but if your burgers generate $3 less profit than other dishes on your menu, you're leaving money on the table. You may be able to charge more for these in-demand menu items and/or redirect guests toward other items on your menu.

As you review your cashflow patterns over the course of a month, you can zero in on not just your biggest expenses, but also your largest likely areas of waste. Making small adjustments can help you move the needle on cashflow in a positive direction.

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Menu labeling compliance due date approaching for some restaurant chains

As of. Nov. 7, restaurant chains with 20 or more locations with the same name will again need to comply with the FDA's menu-labeling regulations. This includes providing calorie content on menus, menu boards and other point-of-sale materials, as well as making other nutritional information available upon request. While the FDA encouraged operators to comply with these regulations over the course of the COVID public health emergency, the agency suspended its enforcement of these regulations during the pandemic. However, it announced in May that enforcement would resume after 180 days – or on Nov. 7. Visit the FDA website for an online education module and factsheets that cover the specific requirements.

Fees

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• Authorization and transaction fees: While these fees are common, you should not see both per-authorization and per-transaction fees on a single statement.

• Minimum fees: Your credit card processor may charge these fees if you don't reach a certain threshold of payments over a set period of time. Just be aware of the terms so you know how often the fee is issued – you don't want to be paying a daily fee when a monthly fee is possible.

• Monthly settlement fees: Many processors will charge this fee as an extension of the nominal batch fee they charge for bundles of transactions.

• PCI fees: You can avoid these fees, which can run upwards of $20 per month, by becoming compliant with payment card industry data security standards.

• Statement fees: If you're receiving paper statements and being charged a fee for them, switch to digital statements and contact your processor about eliminating charges for them from that point forward, or at worst, when your contract is up for renewal.