



Pie in the Sky Sophisticated Cloud-Based F&B Control for Smaller Restaurants?

Featured in the March 2012 issue of Restaurateur of Arizona Magazine.

Using technology to help control restaurant front and back-office functions is not a new thing. It would probably be difficult to find a restaurant that has not adopted a computerized point of sale system and a variety of other accounting and management systems. But for the most part, only the largest restaurants have ventured beyond spreadsheets or POS-based inventory functions to control key F&B functions like procurement and bidding.

Easily distinguished from POS-based inventory systems, these systems are professionally implemented and are capable of integrating with food distributors, catering, POS and accounting systems. They allow multiple users, handle multiple profit centers, user security and the advanced bidding and procurement needs of most restaurants. They also typically employ hand-held scanning technologies and web-based access.

While the costs to procure this type of system is substantial, the benefits from such a system can be just as substantial, and in many cases more so than the POS systems already in place. For most restaurants, implementing a strong F&B management system can save as much as 3-5% of total annual F&B revenue – or \$30-50,000 per million in annual sales. But sophisticated F&B systems can easily cost as much as POS systems, almost all of which was previously paid up-front, keeping many independent restaurant operators from pulling the trigger.

Clouds in the Forecast

That's where the cloud comes in. The term "cloud" has many definitions, but basically refers to large data processing centers accessed through the internet, as opposed to systems owned by and housed at the restaurant. One could say these datacenters and software loaded on them reside in the cloud. Like timesharing of the past, software companies contract with cloud-based datacenters to host their software, and provide access to their clients (ex: restaurants) through a rental program.

The restaurant actually rents the right to use the software, as opposed to buying licenses to run the software on their own equipment. This frees up the restaurant to focus on using the application without the need to worry about computers or networks – or managing them. All that is typically required on the restaurant's end is high-speed internet access. All issues associated with software updates, maintenance, backups, servers, etc., become the responsibility of the software provider. The restaurant typically pays a periodic (monthly, quarterly, etc.) fee for the use of the software.

So How Much is the Pie in the Sky?

Cloud-based approaches are cheaper because license fees are spread over time, maintenance costs are lower and hardware costs are leveraged through economies of scale. Developers pass along the datacenter fees to their users, finance the software fees and count on lower costs per user for maintenance since they don't have to deal with client owned systems.

The F&B systems used by the larger independent restaurant companies typically start at \$20,000 for software and \$10,000 for implementation, and go up with restaurant size. The starting range would be typical for restaurants with annual F&B sales under \$2 million. With a hosted approach, the implementation fees would be similar, but the licensing and maintenance fees for F&B systems of this size depending on contract length could be as low as \$500 per month. Given the typical payback for these systems at 3-5% of annual F&B revenue, the \$1 million restaurant would save approximately \$2500 - \$4000 per month. Even at 1% savings the \$1 million restaurant would easily cover the cost of the system. Even the implementation fee would be covered the first year in most cases. The other obvious benefit is no need for capital budgeting. These costs typically come out of the operating budget and are expensed as incurred. So thanks to the cloud, even smaller restaurants can have systems every bit as powerful as the chains they compete with, and take advantage of the pie in the sky.

About the author: Bill Schwartz is the founder and CEO of System Concepts, Inc. (SCI), and has been a food and beverage management consultant since 1980. Based in Scottsdale Arizona, SCI is the developer of the FOOD-TRAK Food and Beverage Management System. Contact Bill at bills@foodtrak.com.