HOW SOME COOL TECHNOLOGIES
CAN HURT YOUR F&B BOTTOM LINE

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It's not often you will see me write about the negative aspects of technology, but I have recently been asked by clients about a cool new feature they've heard about that might end up costing more than it saves – at least when it comes to F&B control. The ability to scan invoices and have these images update the inventory system is the cool feature they are asking about.

On the surface, and certainly during a vendor presentation, the idea makes great sense. It should be a significant labor-saving feature since it eliminates issues with entering invoices into the inventory system manually, and may even set the invoice up for payment in the A/P system. It could make the idea of real-time inventory control more likely since the invoice could be scanned into the system as soon as it arrives. So what's the problem here?

Glad you asked! The problems come from two different directions. The least significant problem is the fact that scanning invoices and turning them into data is not a slam-dunk. Scanning invoices as images is no problem if all you want to do is store the image for later retrieval. This capability has been available for decades and simply requires adding "tags" to the image like vendor name, dates, account, etc. so you can search for the document more easily when you need to retrieve it. The problem comes when you want the software to read the image and determine who the vendor is, the invoice number and date, the amount due and especially the line item data like item name, unit, quantity and cost. While this may sound simple – it is anything but.

A CONFUSING IMAGE

First, the software uses OCR (Optical Character Recognition) technology to "read" the invoice image and pick out the numbers and letters. The next step is to determine which of those numbers and letters are the vendor name, the invoice number, etc. This can be done by having users make a map of the invoice for each vendor, identifying where in the picture the software should look for vendor name and other data. This is done for each vendor. The other approach is for the software to use a form of artificial intelligence (AI) to figure it out for itself.

Either way, the error rate is an issue. In other words, in many cases the image is not read 100% properly, and certain data is missing or incorrect. This can be caused by smudges, handwriting and a variety of other problems. For mapping systems, the error rate can be in the 20-30% range, while with AI it is usually a bit less at perhaps 5-15%. In cases where the invoice is not translated correctly, human intervention is required to correct any mistakes made by the software. Intervention requires a manual entry of all missing or incorrect data and can be quite time consuming.

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NOT RECEIVING THE BENEFIT

Again – that is the least significant of the two problems. The most significant problem is the receiving shortcut caused by the scanning approach. Food service operators know from experience that the goods delivered by the driver are not always accurately reflected on the invoice. In fact, in at least 15% of the cases, the invoice has some type of error on it – either the quantity or the cost. And in some cases the goods are not up to the quality required and must be returned and deleted entirely from the invoice.

By providing the ability to simply scan the invoices into the system, employees in many cases forego the entire receiving process. We have found the discipline of careful receiving and purchase order/invoice reconciliation can result in savings of 2% of sales or more. Giving employees the opportunity to simply accept the invoice and scan it could easily cause them to skip the receiving part of their job. In addition, assuming they do find errors as a result of receiving, they can't simply scan the invoice and leave it alone. They would have to scan the invoice and then correct it for the issues they find. This can be a disincentive in itself for good receiving practices.

LESS COOL BUT MORE PROFITABLE

The better approach is to start with a purchase order generated by the F&B system, compare the invoice to the purchase order and then convert the PO into an invoice using the system. There is no need to scan it since the PO is already in the system and can be converted to an invoice with very few keystrokes. Transaction data can then be directly exported to the A/P system. This approach encourages the receiving discipline, takes less time when taking manual correction of scanned invoices into consideration, and creates significant savings. In the end, I find it useful to evaluate technology as a tool to enhance profitability – not to simply speed up processes. Some processes might actually benefit from adequate time spent. So don't drink the "Cool" aid – in practice it might not be as cool as it seems!

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