

# WIN THE LABOR GAME

6 WAYS TO BEAT RISING LABOR COSTS – WITHOUT SACRIFICING YOUR CUSTOMER EXPERIENCE

BY ECOLAB



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# Overview

## RIISING LABOR COSTS THREATEN INDEPENDENT RESTAURANTS

As the second-highest expense (after food and beverage costs), labor costs are always a top-of-mind concern for restaurant owners and managers. But a number of factors are driving rapid increases in labor costs – often in unpredictable ways – that are presenting critical challenges to independently owned restaurants and food service businesses. Nearly half of restaurant operators said rising labor costs are now the biggest barrier to growth.<sup>1</sup> Beyond inhibiting growth, one in three restaurant owners say increasing labor costs are now the largest threat to their business.<sup>2</sup>

## SMALL INCREASES – BIG IMPACTS

LABOR AS % OF SALES

↑ **.8%**  
in 2016<sup>3</sup>

**HALF**

of restaurant operators  
say labor costs are the

**BIGGEST BARRIER TO GROWTH**

PAYROLL COSTS

↑ **2-4%**  
in 2018<sup>4</sup>

**1 IN 3**

restaurant operators say  
labor costs are the

**TOP THREAT TO THE BUSINESS**

<sup>1</sup> <http://www.lek.com/our-publications/lek-insights/growing-challenges-eat-away-food-operators-market-share>

<sup>2</sup> Applied Predictive Technologies: State of Business Experimentation Report for Restaurants, 2016

<sup>3</sup> <https://www.bdo.com/getattachment/ef67a710-1328-4e7e-927d-50b5567abc2b/attachment.asp>

<sup>4</sup> <https://www.foodnewsfeed.com/fsr/vendor-bylines/2017-restaurant-technology-trends-and-predictions>



# WHAT'S DRIVING INCREASING LABOR COSTS?

## 1 MINIMUM WAGE INCREASES

- 19 states increased minimum wage in 2017; 12 states hiked minimum wage in 2016.
- Countless cities have implemented new minimum wage laws – or increased existing city-level minimum wage requirements.
- The “Fight for 15” wages on across the country.
- More restaurants will face sudden, significant increases in labor costs.

## 2 FEDERAL LEGISLATION ON EMPLOYEE BENEFITS

- The Affordable Care Act (ACA) changed healthcare benefit requirements and created new challenges in balancing full-time and part-time staff.
- Proposed changes to federal overtime pay requirements and possible changes to Joint Employer legislation could add new challenges to restaurant workforce management.
- With a new administration re-examining all of these federal labor laws and proposals, tremendous uncertainty surrounds all of these changes.

## 3 IMPROVING JOB MARKET CREATES LABOR SHORTAGE

- The U.S. economy and job market continue to improve in the wake of the 2008 recession.
- The service-industry labor market is tightening as fewer people enter this job market.
- Rising economic confidence drives even higher turnover rates.
- Restaurant owners and managers find it harder to find experienced employees – and harder to keep good people.



# FINDING QUICK-WIN WAYS TO BEAT INCREASING LABOR COSTS

With industry experts and analysts predicting a 2-4 percent increase in payroll costs over the next year alone, restaurant owners should brace for a significant hit to already-slim margins. More than ever, restaurants owners and operators need to reconsider every element of their labor costs. But with competition increasingly intense, making the wrong cuts can quickly devastate the customer experience and drive a restaurant out of business.

This eBook provides six key areas of focus and several simple, actionable strategies for realizing new efficiencies, reducing waste and getting more value from existing staff – while maintaining an outstanding customer experience.

## 6 STRATEGIES FOR REDUCING LABOR COSTS

1 INVEST IN  
TRAINING



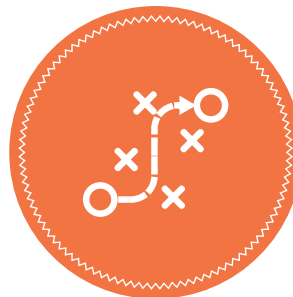
2 CROSS-TRAIN TO  
CREATE TEAM  
EFFICIENCIES



3 CREATE A GREAT  
PLACE TO WORK



4 MAKE YOUR  
SPACE WORK  
HARDER



5 MAKE EMPLOYEE  
SAFETY A TOP  
PRIORITY



6 INVEST  
IN BETTER  
TECHNOLOGY



## STRATEGY #1:

# INVEST IN TRAINING

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### PREPARE YOUR PEOPLE TO WORK MORE EFFICIENTLY.

When most managers think about boosting staff productivity, their thoughts immediately go to pressures and incentives. The starting point should be much simpler: Make sure employees know how to do things the right way. Between the hectic pace of a restaurant and the reality of constant turnover, most new employee training is of the on-the-job, learn-as-you-go variety. When new technology or equipment is introduced, staff often learn through trial and error.

- A lack of dedicated training not only leads to costly mistakes, but allows employees to develop their own, less-than-ideal use habits and behavior patterns – instead of efficient, best practice-driven habits.
  - Creating process-based training drives productivity and efficiency by ensuring staff are using equipment the proper way.
  - Investing time in training helps staff feel more capable and empowered, reduces frustration and boosts morale by showing you value your team enough to give them the time and resources to learn and grow.
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# STRATEGIES TO GET YOU STARTED

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## KEY AREAS OF FOCUS

### START WITH POS SYSTEM TRAINING.

1

Your POS system is the engine that keeps business moving forward. All staff – from hosts and servers to kitchen teams – should receive dedicated training on your POS system. They should understand how to enter and adjust customer orders, manage the flow of tickets and close out tickets. When all employees are comfortable operating and troubleshooting the POS system, you can eliminate painful bottlenecks and delays, avoid overburdening the kitchen and frustrating patrons, and maximize order throughput to boost sales.

2

### LEAN ON VENDOR PARTNERS FOR TRAINING HELP.

Most restaurant operators don't have the time to create a comprehensive training program from scratch. Fortunately, many leading vendors are happy to jump in with helpful training resources – from ready-to-use training tools like checklists, posters and online training modules, to on-site, expert-led training sessions. Ask your vendor partners if they offer these kinds of training resources – and seek out those vendors that do have a robust training offering.

3

### FOCUS ON NON-CORE TASKS.

Experienced front-of-the-house staff already know how to seat parties, take orders and manage other parts of the service experience. Veteran kitchen staff know how to operate the basic stations and execute common dishes and menu elements. What varies greatly from restaurant to restaurant are the side tasks, such as cleaning and maintaining the unique spaces of a restaurant. These non-core tasks offer a big opportunity to boost staff efficiency. Leading cleaning product vendors recognize this opportunity, and can offer simple training resources and on-site training sessions to coach your people on side jobs ranging from how to properly use a multipurpose disinfecting solution, to the most efficient process for cleaning a restroom, to the best way to clean different flooring in the restaurant to minimize slip-and-fall risk. This simple guidance can prevent these side tasks from spilling into costly overtime, while giving your staff more time to focus on producing fantastic food and delivering outstanding service.



## CROSS-TRAIN TO CREATE TEAM EFFICIENCIES

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### THE EASIEST WAY TO DO MORE WITH LESS.

In the face of growing labor pressures, many restaurant operators scale back staffing and increase the specialized workload on each employee: a server covers more tables, for example. But the minute-by-minute variability of the workload in a restaurant requires a different approach to creating a “skeleton crew.”

- Increase the value of your employees by cross-training them to cover a wider range of responsibilities in the restaurant.
- During slow times, you can work with a smaller team and allow cross-trained staff to cover extra duties.
- During unexpectedly busy times, cross-trained staff can reduce the need to bring in extra staff – and minimize overtime hours.
- A well-cross-trained staff helps create a “can-do” culture of teamwork, where employees jump in wherever needed, maximizing productivity and efficiency.



# STRATEGIES TO GET YOU STARTED

### KEY AREAS OF FOCUS

1

#### CROSS-TRAINING FOR KITCHEN STAFF.

Many veteran kitchen staff are already jacks-of-all-trades. But make sure all of your cooks can cover every kitchen station and understand how to prepare every element on the menu. Also make sure that kitchen staff are well-versed in opening and closing protocols, so they can cover extra shifts without these additional responsibilities bleeding into overtime.

2

#### CROSS-TRAINING FOR FRONT-OF-HOUSE STAFF.

With the rise of casual dining, plenty of restaurants are already blurring the host and server roles. Hosts should be fully familiar with the menu and the ideal flow of the service experience, so they can jump in and cover a few tables during particularly slow or busy times. Similarly, servers should be familiar with a POS system's host/seating/reservations functionality. Cross-training servers to double as bartenders is another great opportunity to realize labor savings and scale back staff during slow times.

3

#### CROSS-TRAINING ALL STAFF ON ALL CLEANING PROCESS.

When a restaurant is busy – or when slow times lead to skeleton crews – it's the “non-essential” tasks that fall by the wayside. Side tasks like cleaning kitchen floors, spot-cleaning the front of the house, or deep-cleaning tables and chairs end up getting pushed to off hours (often leading to overtime) or just don't get done (ultimately hurting the customer experience). This cross-training burden doesn't have to fall squarely on a manager's shoulders. Top vendor partners make it easy to put together a comprehensive cross-training program – from providing resources for self-guided learning to coming on site to lead focused cross-training sessions on how to clean specific spaces and address particular cleaning issues. This ensures that servers and hosts can jump in to help de-grease kitchen floors, kitchen staff can cover restroom cleaning, and everyone is ready to grab the right cleaning product and tackle a spill or spot-cleaning task.

## STRATEGY #3:

# CREATE A GREAT PLACE TO WORK

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### PRIORITIZE EMPLOYEE RETENTION.

Last year, roughly half the restaurant workforce in the U.S. voluntarily left their jobs.<sup>5</sup> One report estimated that replacing just one \$10/hour employee costs \$3,300 – from recruiting, hiring and training a new employee, to the overtime costs from covering the departed employee’s workload.<sup>6</sup> Clearly, there’s an immense opportunity to decrease labor costs by keeping your good people around longer. Better pay is the most popular answer for improving employee retention. But wages are just one factor in the employee satisfaction equation.

- Wages typically don’t vary greatly across restaurants in a given region.
- Work conditions and employee perks can create major differentiators.
- Creating a reputation as a “great place to work” attracts talent and decreases turnover.
- When you’re confident your staff will stick around, you can more confidently invest in their training and development – ultimately turning them into more productive, more valuable employees.

<sup>5</sup> U.S. Bureau of Labor Statistics, 2016

<sup>6</sup> <https://2b884s3vsblr2vid492wyoqg-wpengine.netdna-ssl.com/wp-content/uploads/2017/05/A-restaurant-leader%E2%80%99s-guide-to-maximizing-labor-efficiency-1.pdf>



## STRATEGIES TO GET YOU STARTED

### KEY AREAS OF FOCUS

#### 1 RECOGNIZE AND REWARD.

Restaurant jobs can be grueling and unglamorous. A figurative pat on the back goes a long way – and a gift card, small bonus or perk like a day off can be a major boost in morale. Use reports from your POS system to find out which server is bringing in the most tips. Set upselling goals for servers and bartenders. Recognize hosts after a particularly busy period. Don't forget about kitchen staff. While it may be harder to quantify great performance, reward kitchen staff for taking on new stations or learning new menu items, and talk with your staff to find out who's been working hard. Not only do rewards and recognition boost employee satisfaction for the recipients – they give other employees clear examples of how to succeed, and build a positive culture that people want to be a part of.

#### 2 CREATE GROWTH PATHS – NURTURE EMPLOYEE DEVELOPMENT.

As wages increase and mandated benefits expand, it's clear that restaurant jobs are increasingly viewed as more than a "side gig." Help your employees see their future within your business by providing development opportunities. Create opportunities for more senior staff to manage or oversee certain aspects of operations. For example, give an employee the opportunity to "own" facility cleaning, or manage social media accounts. Include them in internal meetings, meetings with vendors and share business reports to show them how they're contributing to cost savings, growth, etc. These development opportunities give staff a reason to invest their own time and effort in your business, help you groom future mid-level employees with in-depth knowledge of your business, and can take some of the wide-ranging responsibilities of restaurant operations off your plate.

#### 3 SIMPLIFY THE SIDE JOBS.

Most of your employees enjoy the core of their job responsibilities: cooking food or engaging with customers, for example. Their frustrations tend to center around all the extraneous things – responsibilities like facility cleaning and equipment maintenance that they often tend to view as "not what I signed up for." Minimize these frustrations by cutting out as much of the tedium as possible. Make sure equipment maintenance tasks are spread out across all staff; it shouldn't just be kitchen staff that get stuck cleaning the range hood. Similarly, make sure everyone is trained in how to properly clean the entire restaurant – from tables and chairs, to kitchen floors, to toilets and restroom fixtures. Talk to your cleaning product vendor to make sure you have easy-to-use products – like multi-purpose solutions that clean and disinfect in one swipe, or chemical dispensers that minimize cleaning prep work. An easy place to work is a great place to work.

## STRATEGY #4:

# MAKE YOUR SPACE WORK HARDER

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### RECONFIGURE YOUR RESTAURANT TO BOOST EFFICIENCY.

In the era of Instagram, restaurant aesthetics get all the attention. But a space that's all form and no function can hurt your bottom line. Crowded kitchens. Bottlenecks at the server stations. Service maps that force servers to take countless extra steps with each trip. While a renovation may not be in the cards, there are simple ways restaurants can reconfigure key spaces to reduce staff burdens and improve efficiency – ultimately benefitting the customer experience, as well.

# STRATEGIES TO GET YOU STARTED

### KEY AREAS OF FOCUS

## 1 FIND YOUR SERVERS' WASTED STEPS.

Watch your servers as they move through the front of the house. Better yet, talk with servers – they're masters of efficiency, and they know the little things that frustrate them. Perhaps it's moving high-use items from storage areas to server stations. Or repositioning (or adding) server stations to minimize steps to tables. Consider redrawing your service map to make sure all service sections are positioned to allow clear paths to the kitchen service window. Saving servers a few steps with each trip can help them deliver faster service, turn more tables and boost sales.

## 2 FOCUS ON THE DISHWASHING SPACE.

The bussing and dishwashing space is one of the busiest areas in your restaurant. In fact, in a way, it's as much the heart of your restaurant as your range or oven. Yet this space is notoriously overlooked when it comes to restaurant design – both in terms of location in the back of the house and the layout of the dishwashing space itself. Experienced vendors can help you design, redesign or just make small tweaks to your dishwashing space to maximize efficiency. This includes everything from ensuring clear, safe walkways so the dishwashing area doesn't become a back-of-the-house bottleneck, to positioning wash basins, soap dispensers and dishwashing machines to minimize the time, steps and effort for your staff.

## 3 REORGANIZE STORAGE AND PREP SPACES.

With real estate costs skyrocketing, restaurant owners need to squeeze value out of every square foot of space. Most don't have the luxury of expansive storage spaces and prep areas. But too often, "small" means "cluttered." Disorganized spaces mean employees take longer to find items they need, re-stock items or complete prep work. There are easy ways to reclaim more space in small areas. For example, look for vendors that offer higher-performance products that deliver better results with less time and labor costs. You should also look for vendors that reliably make frequent site visits, so that you can make smaller, more frequent product orders – rather than managing a large inventory. If you have the space, consider a chemical dispensing solution that can deliver cost savings while speeding cleaning prep workflows.



## STRATEGY #5:

# MAKE EMPLOYEE SAFETY A TOP PRIORITY



### AVOID THE MAJOR COSTS OF SAFETY INCIDENTS.

While restaurant operators can't do much about rising fixed costs, they can take control of avoiding or limiting the significant additional costs of employee safety incidents.

- Losing a good employee – whether temporarily or permanently – can leave a devastating hole in your team.
- Even minor accidents can have major costs, from workers compensation or disability pay, to the cost of working short-staffed or trying to hire fill-ins.
- Potential litigation expenses can quickly spiral out of control and put the entire business at risk.

Employee safety – doing things the right, safe way – should be a core element of staff culture. Investing in products and process that facilitate safer workspaces not only prevents the escalating costs of safety incidents, but can deliver additional benefits to employees and guests alike. Employees feel more valued, enhancing morale and reducing turnover and the costs that come with it. The same practices that create safe spaces for employees also prevent guest safety incidents, such as slips and falls or food safety issues.

# STRATEGIES TO GET YOU STARTED

### KEY AREAS OF FOCUS

## 1 FOCUS ON FLOOR CARE.

Slips, trips and falls are the top cause of workplace injuries.<sup>7</sup> Grease builds up quickly in busy kitchens. Spills can create hazards in the front and back of the house. Rainy and snowy conditions can wreak havoc on entryways, host areas and restroom floors. Look for a cleaning product vendor that can help you re-examine your floor care products and process. Leading vendors can provide cutting-edge products that uniquely address the needs of front- and back-of-house spaces: heavy-duty degreasers, sanitizers and double-duty products that clean floors and maintain drains in the kitchen; general-purpose or surface-friendly cleaning and disinfecting solutions for the dining area; and specialty products for spot-cleaning tough spills and stains. More importantly, make sure your staff understand the right way to use these floor care products – so they're cleaning efficiently and reducing safety risks without damaging flooring materials.

## 2 TRAIN AND RE-TRAIN ON SAFE CLEANING PROTOCOL.

Chemical burns and other incidents relating to improper use and exposure to cleaning products are another major source of employee safety incidents. All staff should receive dedicated training on how to safely and properly use each unique cleaning product. Your cleaning chemical vendor should be able to provide training resources and live, on-site training. Another factor that shouldn't be overlooked: The safest cleaning products are the ones that are easier to use the right way than the wrong way.

## 3 LEAN ON VENDOR PARTNERS FOR GUIDANCE WITH COMPLIANCE.

Even if no safety incident ever occurs, failing to prioritize employee safety can still be costly. OSHA can surprise you with an audit and hand down fines ranging over \$100,000. Even lesser violations can lead to several thousands of dollars in fines – which mount for each day you remain out of compliance. Keeping up with evolving regulatory requirements is just one more challenge for restaurant operators to juggle. Fortunately, leading vendor partners follow these changing requirements closely, and can provide guidance and support in keeping your restaurant in compliance.

<sup>7</sup> OSHA



## STRATEGY #6:

# INVEST IN BETTER TECHNOLOGY

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### SOMETIMES YOU NEED TO SPEND TO SAVE.

When margins are tight and expenses are on the rise, it's hard to stomach the idea of making new capital investments. But outdated technology could be killing your labor efficiency – for example, slowing down the kitchen or making cleaning tasks at the end of shifts more time-consuming. In addition, radical new customer-facing technologies like self-service ordering have the potential to completely change front-of-the-house staffing models.

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# STRATEGIES TO GET YOU STARTED

## KEY AREAS OF FOCUS

- 1 RE-EVALUATE YOUR KITCHEN EQUIPMENT.**

Ranges, ovens, fryers and other kitchen equipment are some of the biggest-ticket items in a restaurant. But they're also the engines of the restaurant. Look for opportunities to invest in equipment that will directly boost the efficiency of your kitchen. Upgrading to a larger range, for example, can simply increase order throughput. Consider innovative "combination" equipment, such as a combi-oven, which allows kitchen staff to handle steaming, roasting, baking and frying on the same station – boosting food production. Finally, simply upgrading old, worn, past-its-prime equipment can speed cook times and help you turn more tables, increasing sales.
- 2 UPGRADE TO A COMMERCIAL DISHWASHING SOLUTION.**

Fabled stories of employees who worked their way up from dishwasher to manager are everywhere in the restaurant world. But while you'll always have a need for a hardworking dishwasher, adding a high-performance commercial dishmachine to your kitchen can immediately boost labor efficiency. The best dishmachines also deliver a better, more consistent clean (benefitting guest experience) while protecting the life of your wares (another big capital investment). Some leading full-service chemical vendors now offer dishmachine rental and leasing programs that make these technologies practical for restaurants of all sizes and types. These rental and leasing programs are often more cost-effective in the long term, as they remove the burden of inevitable breakdowns and repair costs. Be sure to look for a dishmachine that offers the latest energy- and water-saving technology – and comes supported by regular preventative maintenance and 24/7/365 emergency service.
- 3 CONSIDER DIGITAL ORDERING TECHNOLOGY – CAREFULLY.**

Customers enjoy self-service technologies in just about every facet of their lives. So it's no surprise that some restaurants are seeing great results from digital ordering systems – from tabletop, tablet-based ordering and checkout systems, to self-service kiosks. These customer-facing technologies have the potential to delight guests while reducing front-of-house costs. However, it's important to carefully consider the full impacts of implementing digital ordering. Faster ordering can increase the burden on the kitchen, requiring additional staff that may offset any labor savings in the front of the house. Restaurants also must be careful that they're not simply pushing additional "work" on the customer – the technology should improve the customer experience, not detract from it. To that end, most restaurant guests still prefer to interact with real people, so digital ordering systems should be used to free up service staff to deliver even more attentive, outstanding customer experiences.

A blue-tinted photograph of a chef in a white uniform, focused on garnishing a dish with fresh herbs. The chef's face is partially visible in the upper left, and their hands are shown in the lower left, carefully placing herbs on a plate. The background is a solid light blue.

# THE LITTLE THINGS ADD UP

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Anyone who has worked in the food service world knows that the restaurant “game” is all about the little things. You know that the tiniest differentiators can bring customers to your tables; that attention to detail can have a huge impact on customer satisfaction; that the slimmest advantage can help you thrive while your competition struggles. As you face definite increases in your labor costs – and the uncertainty of pending legislation that could drive further increases – it’s important to remember just how potent small changes can be in solving big-picture challenges.

Successfully implementing just a few of the strategies discussed in this eBook can help you gain little efficiencies that bring your bottom line back in balance. Better still, as your staff see the results of having the tools, resources and support to excel in their roles, you create powerful morale and momentum that can pay dividends well beyond labor efficiency. A confident, well-supported staff – equipped and motivated to deliver great food and consistently outstanding service – is the greatest advantage your restaurant can have.



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