

Coronavirus Impact on the Foodservice Industry

# Simplification: What it Means for Operators & Suppliers

10 Operator Simplifications that Suppliers can Support  
to Drive Revenue and Profitability



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**Simplification is the new rallying cry** as restaurant operators adjust to the changing 'New Normal'. With off-premise being the primary source of revenue for operators, simplification in all aspects of what they do has been needed to reduce costs - but without reducing standards. This has not been an easy task, but ultimately the exercise has made operators smarter and nimbler.

Simplification involves fewer moving parts and the ability to be significantly more productive. This requires less labor, fewer deliveries, lower waste and improved execution. It also eliminates some of the emotional decisions that create broad and complex menus that are too big for restaurants to execute profitably and consistently, and results in too many ingredients that only have one use.

Simplification does not mean basic or boring. In fact, keeping it simple can be quite innovative. There just needs to be a creative approach to using bold and delicious ingredients in multiple ways. A menu does not need to be complex to be compelling. The majority of best-selling menu items are staples, but with a twist. It is no wonder that consumers during the Pandemic have been eating a lot of burgers and pizza.

Suppliers play a key role in this simplification process. They must have a clear understanding of what each restaurant brand is focused on and support their operator partners with the types of products, insights and innovation that are necessary to help drive revenue while maintaining and improving efficiencies.

For operators, the secret to success in the new normal is to take every great idea and make sure that it has broad implications for the business. At the same time, it is important to take something great that you already have and broaden how you use it. For instance, if you are a restaurant brand with high quality French bread and you are known for making great sandwiches with it, why not find ways to use French bread in multiple menu applications. That is "profitable simplification"!



## Ten Operator Simplifications that Suppliers can Support to Drive Revenue and Profitability

1. Menu Simplification – Many brands have expanded their menus, pre COVID-19, to a point where they become difficult to execute and resulted in a muddy message to consumers as to who they are as a brand. Much of this menu expansion has come from competitive pressure to stay innovative, even if the menu items were outside the realm of the brand's core positioning and execution capabilities. Taking a defensive-reactive posture to menu development has, in most cases, resulted in increased complexity without a corresponding increase in business value.

As COVID-19 emerged and off-premise became the only source of revenue, operators began to simplify their menus to just their core items. These are the menu items that comprise about 80% of revenue. These items have been described as “comfort food” for their customers in difficult times. What we have learned is that “comfort food” does not necessarily mean meatloaf and chicken pot pie. Comfort foods are items that a customer looks to as “go to” items at their favorite restaurants. It could be a Penne Bolognese, Brick Chicken, or a Poblano Shrimp Burrito.

With dine-in business returning at a reduced capacity, it becomes even more critical to have a smaller core menu that is easy to execute. It requires less staff and customers can more easily navigate the menu. Daily specials and LTOs can still be used to keep the menu interesting. Menu simplification requires a total team focus on fundamentals to execute well every time. In the short term, customer priorities will be on safety and sanitation first, so execution of food and great service needs to be a given.

Suppliers can help through culinary and menu application consulting. Most manufacturers have culinary teams that are experts on how to get the most out of their products. These resources are now more important than ever before.

2.SKU Reduction – The number of ingredients that are used in only one recipe has spiraled out of control, in many cases. In our research, speaking to multiple brands, it was shocking to hear how many ingredients are used and therefore must be negotiated, stocked at distributors, inventoried, purchased, and stored. Many of these ingredients are highly perishable and are being wasted. SKU-reduction, whenever possible, will be something operators will embrace.

As you look to the restaurant of the future, efficiencies will be critical to reduce the size of the store footprint. Storage is one area that will need to be reduced to achieve a smaller footprint and SKU-reduction is crucial to achieving this.

Suppliers can assist with SKU reduction. Innovation does not have to be complex. Great ingredients with bold flavors are already in kitchens. Going against the grain by using ingredients in ways that they have not been used before is what innovation must be about. Culinary, supply chain, operations and marketing will need to collaborate to “keep it simple and make it great”.

3.Labor Productivity & Efficiencies – With the dramatic decrease in restaurant traffic and revenue, operators have been forced to manage their P&Ls extremely tight. This has led to a heightened focus on cost reduction starting with improved labor productivity and efficiency. With the increased percentage of revenue moving to off-premise and revenue streams changing to new dayparts, including fringe periods, operators are looking for ways to drive revenue back to pre COVID-19 numbers. Customers will be eating throughout the day to maintain social distancing and expectations will be greater. The roles of team members will need to adapt to support these changes and doing more with less will be the calling.

Based upon new consumer behaviors and changing expectations, operators will adjust the roles of their teams to be multi-taskers vs. specialists. If you compare it to great football teams, the winners usually are the ones that have balanced teams with a deep bench and a limited number of superstars.

The potential is there for more guests to order and pay through their app at the table. The role of a traditional server will change. If they are bringing food to a table in the restaurants, why can't they bring the food out to a curbside customer? If you are using certain ingredients three times instead of once, can you do your prep in the kitchen more efficiently? If you have simplified your menu, can you cross train your kitchen team to be able to fully functional?

Operators should reach out to their top suppliers for assistance on driving both front-of-house and back-of-house efficiencies. This can include streamlining the food preparation process through labor

saving products, new equipment innovation, new order-taking technologies, supply chain simplification ideas and finding efficient no-touch solutions for self-serve condiment and beverage stations.

4.RTI: Ready to Innovate-Product Flexibility – There is a desire for many operators to want to do everything from “scratch”. But that is obviously not possible in most operations. Somewhere between total scratch and ready-to-use (RTU) is ready-to-innovate (RTI). RTI is about flexibility, simplification, and profitability.

Through collaboration with manufacturers there is the opportunity for operators to use high quality “starters” to simplify operations but still be producing some recipes from scratch. These starters can also be used in multiple recipes and be produced quickly and efficiently by most team members.

For example, if you have an incredible serrano pesto, produced by a supplier, the possibilities are endless for great recipes. A serrano chicken salad sandwich using the pesto combined with mayonnaise. A burrito sour cream. A spread for flatbread pizza on Naan bread or a pasta dish using the serrano pesto combined with marinara sauce. Simplicity and innovation can exist together.



5.Off-Premise Portability of Products – With the dramatic increase of off-premise business for all segments from QSR to Fine Dining, the importance of duplicating restaurant quality for an at-home dine-in experience has become crucial. Consumers will no longer be as forgiving when it comes to poor quality take-out. Unfortunately, the levels of quality vary significantly between delivery, pick-up, drive-thru and curbside. Simplification can help. It will drive more consistency and therefore better quality which will ultimately result in more customer loyalty and frequency.

Not all menu items travel well! Operators should be comfortable with having a smaller and even a different menu for off-premise orders. Keeping it simple will ultimately lead to increased sales and consumer loyalty.

6.Right Product for the Job – Is it possible to save money by paying more for an ingredient! Yes, it is! With a focus on improved productivity, reduced labor, fewer ingredients and overall improved efficiencies, operators will begin to look at some further processed, but not lower quality, products. For example, the idea that we must buy the least expensive chicken breast that then needs to be trimmed and portioned by a team member who may not be qualified, should be questioned. With that approach there is also food safety, sanitation, and other complexities to worry about.

That 7 oz breast that has ½ oz of fat is trimmed to 6 oz. Yes, ½ oz of chicken going into the trash. The fully trimmed 6 oz breast costs more but creates a significantly simplified kitchen process which can save thousands of dollars a year.

Operators should challenge their suppliers on more than just price. Now is the time to simplify and paying a little more for something that cuts labor, waste and improves consistency can often be the right way to go.



7.Differentiation - Being different does not have to add complexity. Simplification and differentiation can be worked on simultaneously. Operators will always believe they are better than their competition, but it is the customer who ultimately makes that decision. We have all learned through the COVID crisis that things can change at any time. Operators can never take success for granted. Differentiation is ultimately the key to success, but it must now go hand in hand with simplification, efficiency, and profitability.

Operators will be looking for their supplier partners to support them with solutions that are geared specifically to their brand. While sales of certain commodities may still be price driven, many other products will be focused on what sets them apart and how the operator can use them to their advantage.

8.Technology Efficiencies – Changes in technology will have a major impact on operational efficiencies. Over the last couple months consumers and operators have been getting used to the various off-premise options to get their favorite food and beverages from restaurants. Operators have simplified menus, added groceries and meal kits along with clear messages on websites and signage on the outside of restaurants. Operators must improve their technology to make it simple for guests of all ages to order and pay for their products. New technology solutions must also be close to 100% hands free as possible.

Coca-Cola debuted the next generation of its Freestyle soda dispenser that lets people wirelessly connect with a machine when they enter a restaurant then order using their phone, a mobile app and Bluetooth. Anything is possible.

Brand Apps, websites and digital menu boards have been too difficult to navigate for most consumers. Pre-COVID it was not unusual to go into a fast casual or QSR restaurant and see 4-6 digital touch screen stations and one cashier to place orders and see the line at the cashier ten deep. Operators can now make it easy for the consumer to place orders and pay for both dine-in and off-premise. At the same time, they can create impulse buys which will raise the average check, all while the customer is doing all the work.

Suppliers can help operators to evolve their technology by providing insights on the consumers as well as product ideas that improve consumer options and increases average check as well as visit frequency.

9. Taking Emotion out of Decision Making – Emotional decisions can lead to questionable decisions. It really is quite simple - what is it about your menu item makes it something that your customer keeps coming back for? If you are serving fish and chips for example, is it the portion, value, freshly cut fries, homemade tartar sauce, the incredible batter, or the type of fish that makes it great? Are you battering cod because you like it, or could you be using pollock or another flaky white fish to lower your cost without impacting sales?

We may have been overthinking and overworking when making decisions instead of outthinking and outsmarting. This approach avoids the major roadblock of emotion and keeps you focused on what is best for the customer and ultimately the brand. The same holds true with proprietary vs branded products. Many brands have been on a mission to take everything they do and put their label on it, even if the volume was not justified. Operators will be looking hard at adjustments to this mindset to simplify their business.

Suppliers can help by providing options that meet or beat quality standards, and at the same time, saves money and could potentially be used in multiple recipes. Blind cuttings and creative innovation using the ingredients will go a long way.

10. Customer and Community Engagement - To simplify, it will become significantly more important to communicate with existing and potential customers in local communities. Consumers have changed their behaviors and they are looking to have a say about what's important to them as they frequent local restaurants. Overall trends and data are extremely important, but with the new normal being fluid, direct communication with your actual customers can provide the immediate feedback that you need to pivot quickly.

Simplification requires tactical adjustments based upon what is working and what is not. You can clearly look at your sales mix and hourly sales report, but that does not tell you why. Relying on the input of your most loyal customers will help make you exceedingly nimbler, while not having to re-invent who you are as a brand.

Suppliers can help operators with many of these tactical adjustments. As customers provide feedback as to what they would like to see and opportunities arise to support their communities, suppliers have the ideas and resources to provide operators with the ability to pivot faster and show their guests that they are listening and take their comments seriously.

### **How suppliers can support Simplification?**

The restaurant business is in a state of flux and operators are figuring it out. They are listening to the consumer and trying to make the necessary adjustments to appease them and build back their revenue. Supplier partners have a tremendous opportunity to make a difference on whether brands will succeed or fail. Operators will be peeling layers off their innovation, marketing and purchasing teams to reduce costs while they work on sales. They will be simplifying menus and reducing SKUs and working to become more productive and efficient. Operators will be looking to suppliers for additional insights and support to drive additional revenue. This includes potential easy add-ons and bundling opportunities. In addition, suppliers can provide cost saving options that may improve quality. There is also the potential of providing excellent value on new proteins for short-term promotions that could be easily incorporated as an option to one of the regular menu items. Finally, operators want to see you and collaborate virtually. If you are in it together, they need to know it.

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