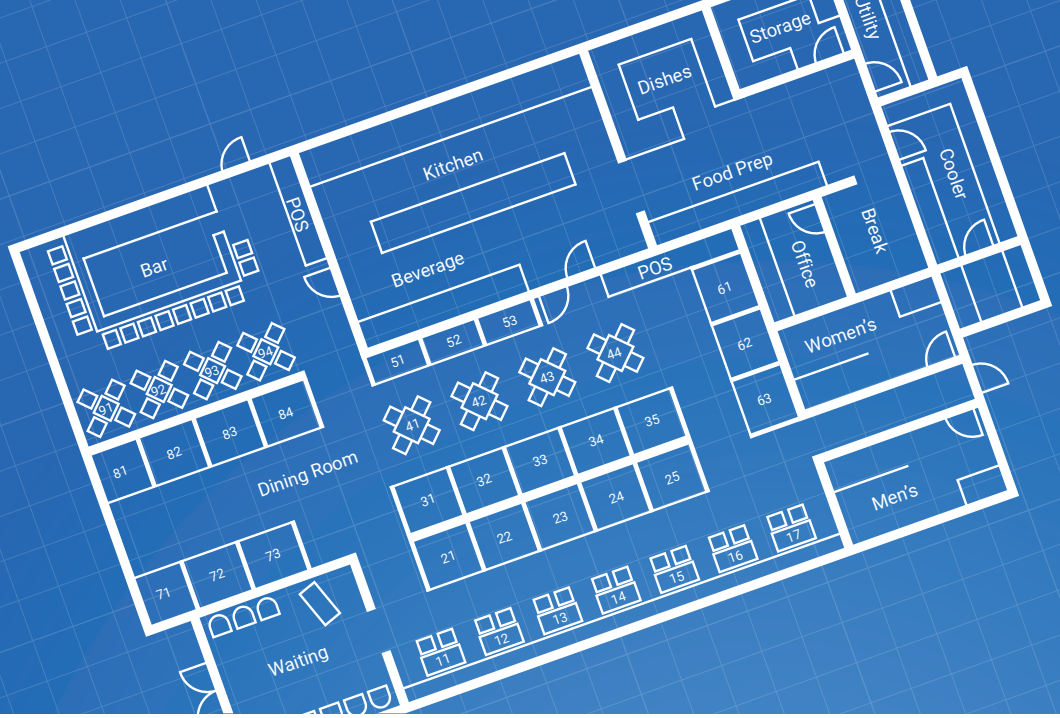
Restaurant Loss Prevention Blueprint

Tips and strategies to roll-out or refine a loss prevention program within your organization



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Italics indicate areas of emphasis within your restaurant



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Identifying Restaurant Fraud Patterns

Areas of Importance: Dining Room, Bar, and Point of Sale

Automating data analysis is a core foundational piece when building your loss prevention strategy. By finding things to take off your "manual analysis plate," you not only save yourself a data-mining headache, but you can also allocate resources more effectively.

Targeting common employee profit draining activities like SITs or the wagon wheel scam is a good place to test your automation process – this is because there is usually a pattern to their fraudulent activity, which your data can easily expose.

Rather than manually reviewing restaurant check data and video (more on that later) to identify fraud at your restaurant, you can use your own historical data combined with industry trends to define an "unacceptable" level of activity for each fraud scam (i.e. 3 transfers in a shift per employee); and set an alert for it. This "set it and forget it" methodology gives you the peace of mind that if suspicious employee behavior appears, you will be made aware without the need to waste time searching for it.

Most Common Employee Scams You Can Prevent

Auto Gratuity Scam:

Definition:

1. **A server adds an auto gratuity or service fee to a check without informing the guest, who then leaves an additional tip.**
2. **A server takes advantage of service charge policies (i.e room charge at a hotel/resort) allowing them to manually add an additional tip without the customer's knowledge because they assume the customer won't notice a slightly larger tab because most room bills are non-itemized.**



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Employee/Manager Meal Scam:

When a restaurant's POS controls are not strict, an employee or manager can use the "employee meal" and/or "manager meal" command within the system to give excessive discounts (or free meals) to friends, family, or themselves.

Tip Boosting Scam:

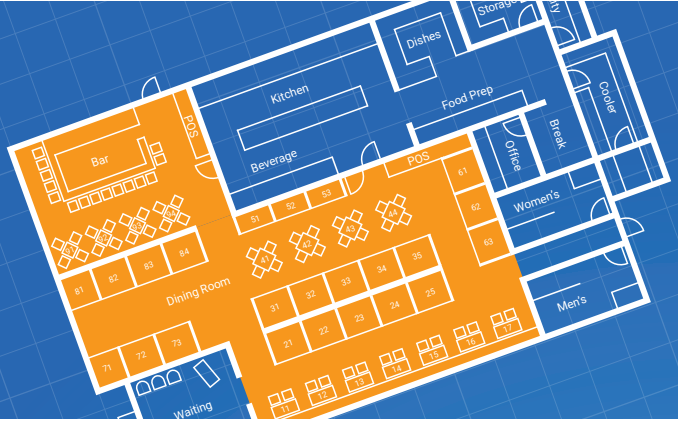
For a guest paying with a credit/debit card, the server takes the slip and voids (or promos) the order total down, they then manually increase the tip so that the order total is the same on the customer's bank statement but in reality, the tip percentage is much higher.

POS Authorization Scam (Voids/Discounts/Cancels):

When a cashier uses a POS command designed to reduce the cost, or remove an item from an order without a manager's authorization, after the customer has handed their money over and the cashier then pockets the cash.

Examples of POS commands that are commonly used include:

- **Discounts & Promotions: Cashiers may reduce the price of an order by using senior, military, friends & family, etc. discounts & promotions**
- **Voids & Deletes: Cashiers may also void items, and cancel or delete part (or all) of a particular order to pocket cash.**



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Use In-Restaurant Video as Confirmation, Not Investigation

Areas of Importance: Dining Room, Bar, and Point of Sale

Video can be a powerful tool within a restaurant loss prevention strategy, but it should not be used as the primary method for identifying loss. Restaurant video analysis can be a crutch because you are starting at the source; however, it is inefficient for two primary reasons:

1. You don't know what you're looking for

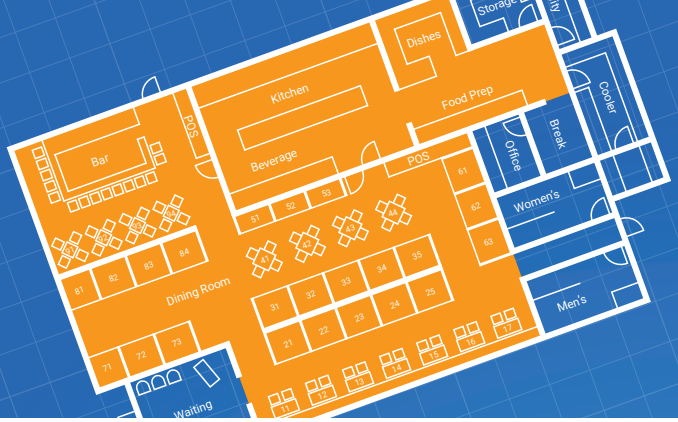
Starting with video is like trying to win the lottery. You're more or less hoping to hit on an incident with no context. You can increase your odds by letting the data inform your video investigation strategy.

2. You are working backwards

It's the "forest from the trees" concept, starting with the details makes it difficult to see the big picture. "Is this a localized problem or a systemic issue?"

Rather than starting with video and searching for the problem, restaurant loss prevention teams should focus on data and only view video when it is warranted. Avoid false positives by letting your data tell you when a particular store, employee, or item is outside the norm. Once you have the numbers that back up your assumptions, drill down into the details to make your entire investigation process more efficient.

Hint: A best-in-class data analytics solution provider will have the ability to integrate your video directly into their solution.



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Take Control of Food Costs

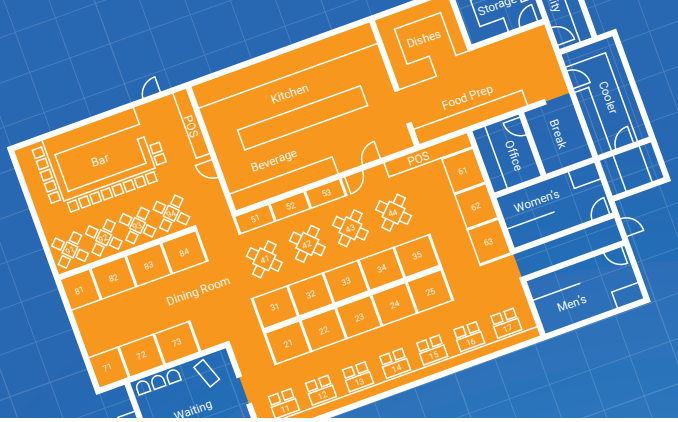
Areas of Importance: Kitchen, Prep Area, Dining Room, Bar, and Point of Sale

Analyzing your restaurant's food cost is a crucial element to running an efficient food service business. Ordering strategies, waste reduction, product turnover timeliness, and employee theft identification are all things that can be addressed when you have better visibility into food cost optimization.

$$Food\ Cost\ \% = \frac{(Net\ Food\ Purchases)}{(Net\ Food\ Sales)}$$

Ideal quick service restaurant (QSR) food cost percentage is between 25-30%, where table service restaurants (TSR) food cost should range between 30-35% depending on the style of restaurant and mix of sales. To keep within these ranges, some best practices include:

- **Track food cost trends against item sales.** Comparing food costs to what is actually sold can provide insight into items that are being over-ordered, poorly rotated, or stolen from the kitchen.
- **Use historical data to set goals by restaurant**. Set realistic goals for food cost percentage and try to set prices that fall in line with desired margins, and know which profitable items to heavily promote.
- **Monitor employee meals & other comp'd items**. Make sure that you set thresh olds for employee meal discounts, communicate those expectations to your staff, and monitor follow through.
- **Use food cost data to assist restaurant operations with menu engineering**. Balance out your menu by assessing item profitability to ensure your menu is not costing you extra money.



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Boost Labor Productivity to Control Costs

Areas of Importance: Kitchen, Prep Area, Dining Room, Bar, and Point of Sale

Much like restaurant food costs, restaurant labor cost is a major operating expense that cannot be pushed to the backburner. Using restaurant data to supplement labor planning makes shift scheduling a much "smarter" process and it is the clearest path to avoiding unnecessary labor expenditures. However, lacking a focus on restaurant labor efficiency can open you up to profit-draining pitfalls like overstaffing, understaffing, or employees "stealing time."

Some ways to reduce restaurant labor costs include:

Alignment of Staffing & Business Needs

Analyze sales by day of week, revenue center, day part, etc. and increase or reduce staff on hand based on peak & down times.

Analysis of Scheduled to Worked Hours

Evaluate staff attendance vs. scheduled hours to know if particular associates commonly leave you shorthanded.

Awareness to Employees Approaching Overtime

Review weekly shifts and be alerted to servers approaching overtime so that you can optimize labor planning and remain compliant with corporate overtime policies.

Detection of Time Clock Abuse/Fraud

Review metrics to prevent restaurant fraud via manual time card manipulation & non-worked hours by server, as well as break down avg. break and shift length to ensure that your staff is not milking the clock.



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Refine Cash Handling Procedures

Areas of Importance: Back Office, and Point of Sale

Well-defined cash handling procedures reduces the risk of cash loss via employee theft or error. If you lack a well-documented plan, it makes it nearly impossible to track and identify cash handling issues. Poor cash handling procedures is usually a sign of poor overall operations, and knowing how your cash is being managed is a vital component to being a restaurant operator.

Once your restaurant's cash handling plan is in place, you should organize a dashboard of cash management reports that highlight cash over/short for the day by store, register, or cashier that highlights those which exceed the established thresholds. Additionally, a cash index report that includes voids, refunds, discounts, and any other metric that could be an indicator of how a cash shortage (or surplus) occurred will help you gauge where issues are commonly occurring.

- Place drop boxes close to the register, and perform periodic cash drops to limit the register fund to the cash needed for the shift.
- Establish a till accountability program to promote proper behavior at the register, and reward those employees that follow the rules.
- Assign a trusted on-duty supervisor or manager to make cash deposits, but limit the number of individuals authorized to handle cash.
- Separate cash management duties i.e. collecting cash, recording receipts, check review to create a system of checks & balances.
- Create strict rules for discrepancies & communicate disciplinary procedures so that staff is aware that cash handling is a priority.



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Revise Hiring & Training Procedures with Data

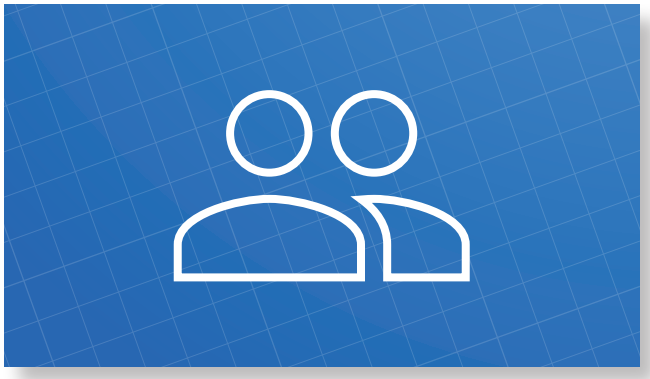
Areas of Importance: Back Office, and Point of Sale

Hiring & training your staff may not sound like a restaurant loss prevention responsibility, but there are ways that you can use your data to assist these efforts. Using sales, performance, and loss prevention metrics can help your HR team create a model that identifies the “ideal employee.”

Although hiring is never an exact science, identifying your top performers and understanding what makes them shine helps supplement the recruitment process as well as the framing of interview questions.

Additionally, your restaurant’s training procedures should reinforce the habits & actions that your top employees do to drive profit and provide an excellent customer experience. Risk index analyses that grade your employees on loss prevention metrics like voids, comps, refunds, etc. can provide insight into the things that you may need to address in your orientation & ongoing training procedures.

Finally, looking at operational metrics like upselling and table turns can shed light into the positive attributes that should be replicated by under-performing employees or stores.







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Ensure Proper Manager Follow-up with Above-Store Procedures

Areas of Importance: Back Office, and Point of Sale

How your restaurant handles and tracks follow-up is just as, if not more important, than actually identifying issues. Without a defined “action plan” to address how to proceed when an incident is discovered, you leave yourself open to restaurant managers pushing problems to the wayside.

Developing and adopting a standardized follow-up workflow can help streamline and operationalize your restaurant loss prevention efforts.

Following the chart (on the following page), we will walk through a framework that your management team can build their follow-up process upon.

Once a follow-up plan is in place, you will see that there’s an immediate sense of restaurant-level buy-in because performance insights are now shining a spotlight onto under-performing staff and managers.

1. Define company-wide potential causes and accepted resolutions for easy tracking of recurring issues.

2. Ensure managers know the follow-up steps for each type of issue by publishing corporate action plans.

3. Validate that an issue has been viewed with a form of acknowledgement.

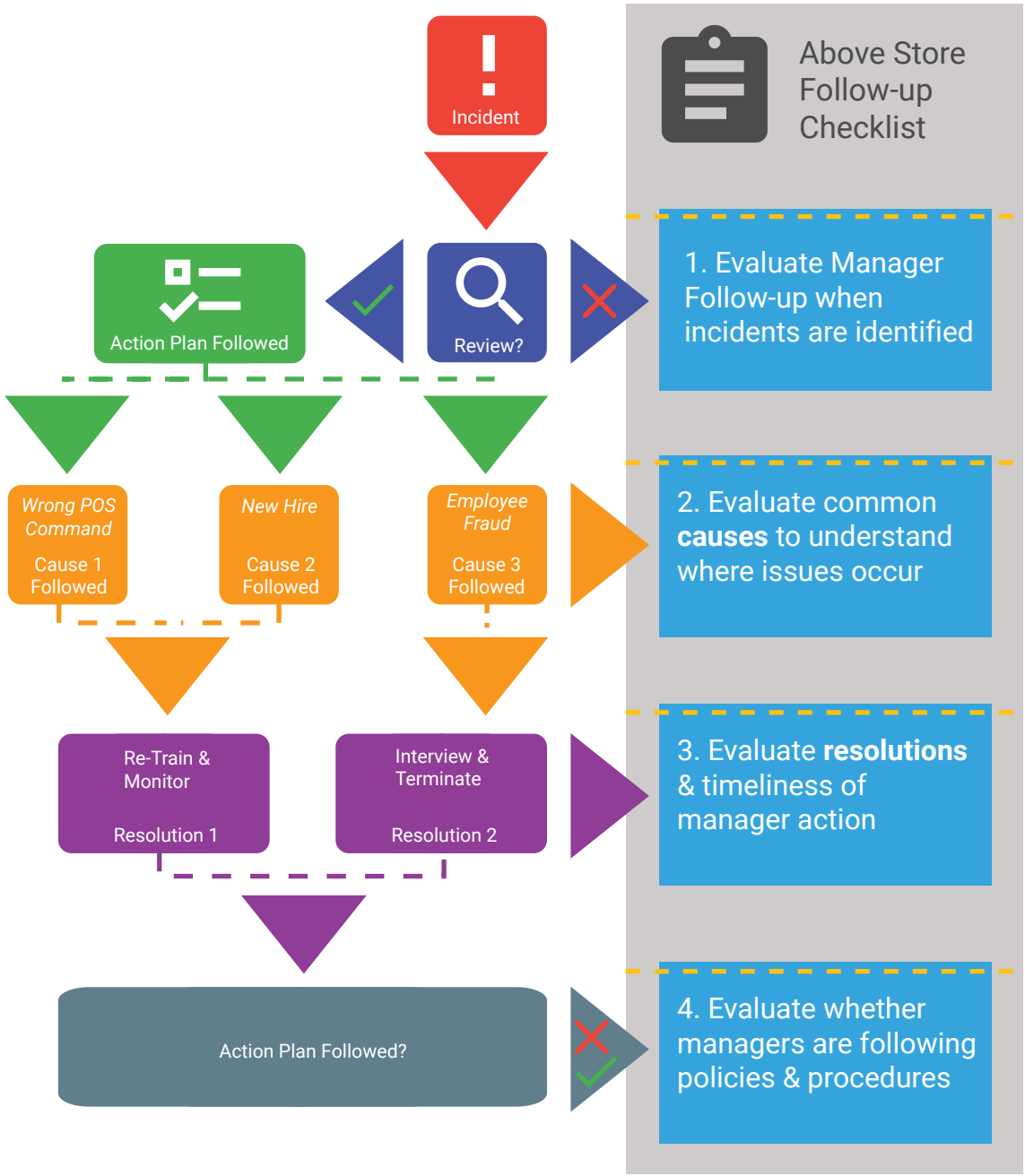
4. Easily track issue/incident history to identify recurring problems that keep coming up so that you can pinpoint the source within the chain of events.



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Ensure Proper Manager Follow-up with Above-Store Procedures

The Workflow





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Clearly Communicate Policies & Repercussions

Areas of Importance: Entire Restaurant

Communication is another key to an effective restaurant loss prevention strategy. Whether it is in employee training, during regular meetings, or when a new policy is introduced, make sure that your staff is aware of the rules & repercussions involved. Drawing their attention to the software or processes that are in place to monitor their activity can sometimes be a deterrent to future “bad” behavior.

This may seem like an obvious one, but the majority of restaurant employee fraud is opportunistic or due to the belief that they either won’t be caught or there will be no repercussions. Make sure the employee handbook is readily available, post signs in the back office or kitchen, and follow through with the rules so your staff knows their negative activities do not go unnoticed.

There is a fine line between running a tight ship and appearing overbearing. So, promote open dialog with your staff so that they feel like they are an important part of the team. This approach will make them feel like a vital asset to the restaurant, and help preemptively prevent restaurant theft while improving overall morale.

A restaurant loss prevention strategy is only effective if everyone on your team knows what the strategy is and buys into it. Be sure to put employees through training, promote open dialogs, and ask them for feedback to continually improve your strategy.



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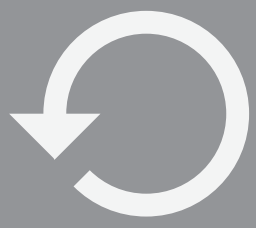
Continue to Grow, Tweak, and Refine Your LP Strategy

Areas of Importance: Entire Restaurant

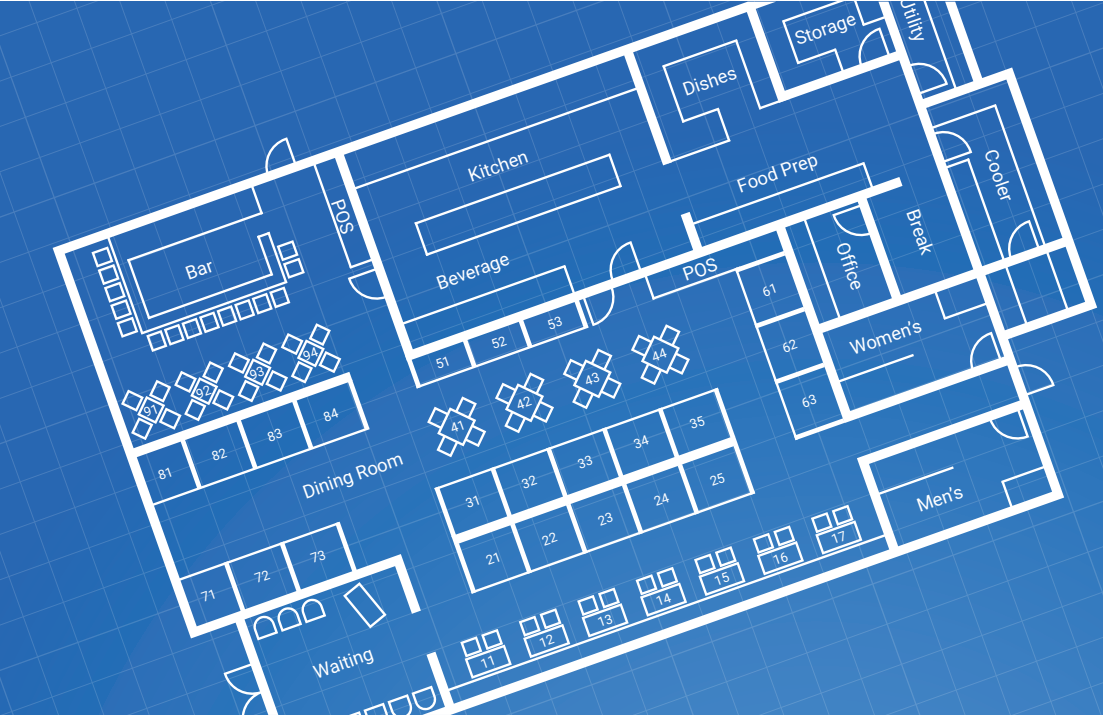
The final and possibly most important tip for any loss prevention strategy is that no decisions, priorities, or thresholds are ever final. What you will likely find, as you start identifying and addressing more issues related to restaurant theft and/or inefficiencies, is that the same issues will start happening less and less because your loss prevention strategy is actually working.

But it also means that you should continue to tweak thresholds to find new issues, stay up on industry tactics, and broaden your scope to find potentially new sources of loss or profit opportunities. As stated in the previous tip, employees that are looking to steal are opportunistic, so as you prevent restaurant theft one-way, they will find another.

Continuing to audit your loss prevention reports, alerts, and resolved issues to ensure they remain effective will give you the best chance to optimize your restaurant performance and earn the most profit.your restaurant performance and earn the most profit.



The key to every great loss prevention strategy is adaptability. Fraud evolves, technology changes, and the restaurant industry keeps moving forward. To ensure that your restaurant loss prevention strategy is bulletproof, go back and reread this blueprint from time to time, and make sure that you adapt faster than the money draining activities that affect your bottom line.



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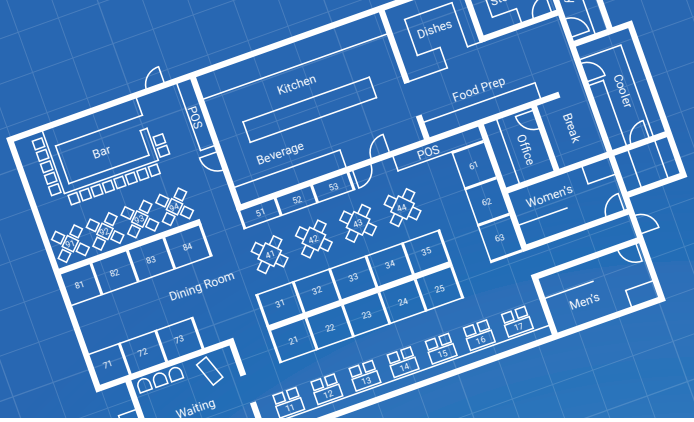
The Analytics Vendor Evaluation Questionnaire

When it comes to sourcing a data analytics vendor, you'll quickly realize that the marketplace is completely saturated with companies claiming they can do anything and everything to make your job easier. But what most companies will omit from their pitch is the strain their solution will have on your IT Team to get up & running and what maintenance it requires after implementation is in the rearview mirror.

That's why we created this questionnaire. Below are some of the key questions you'll want to address with any potential data analytics vendor that's tasked with improving your loss prevention or operations efforts.



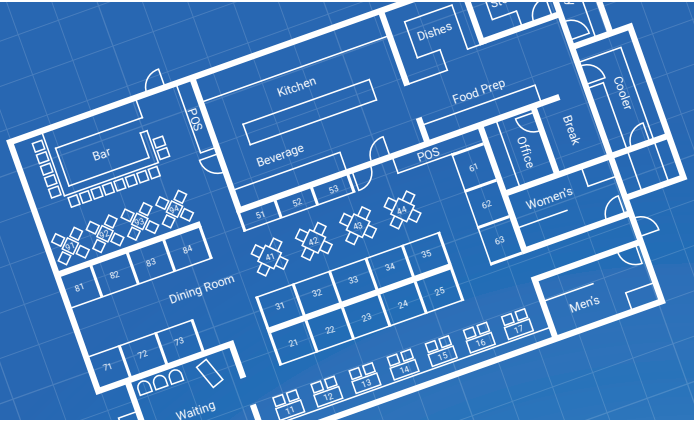




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Implementation

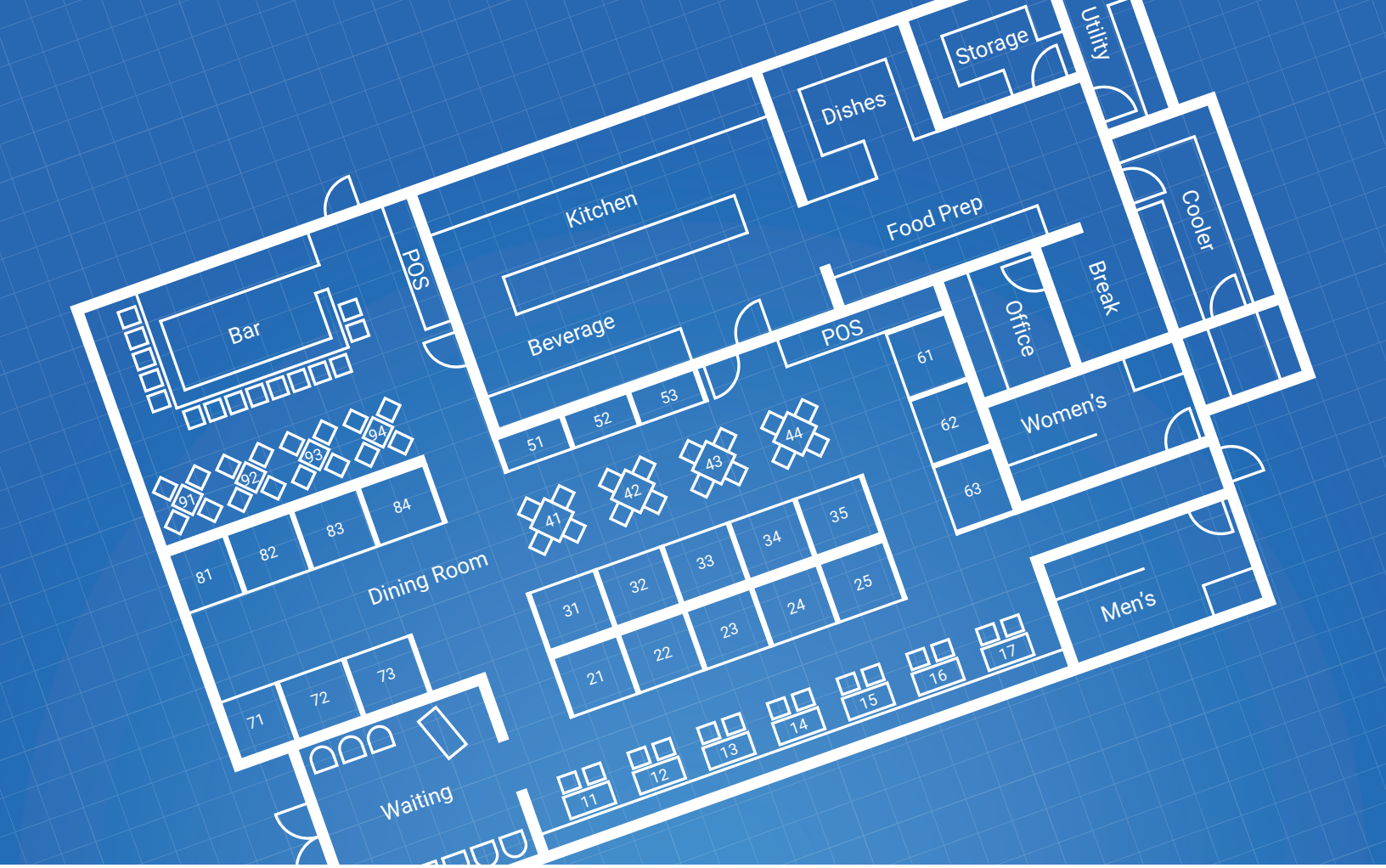
- Will I be able to use your solution during implementation?
- How soon do you (the vendor) involve the IT team post contract signing?
- What is the level of customization required to get your solution implemented? Who performs the customization?
- What is IT's responsibility when it comes to deployment?
- Who develops the queries, reports, and other analytics assets?
- Does the solution require standard outputs from IT or transaction logs and, if so, at what level of granularity? If no, how is data mapping performed and how much time is required from IT?
- Does my old analytics system need to run in parallel and, if so, for how long?
- Does IT need to provide a server, database, or other infrastructure?
- How often does IT need to load data?
- Is there a standard SLA (service level agreement) for responding to application troubleshooting issues during implementation?
- Who is responsible for training our organization on your solution? Is this handled during a live on-site/online session? Or is this handled through well-documented FAQ's and other on-demand resources?



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Post-Implementation

- Do you conduct a Post-Implementation Review (PIR)?
- How long does it take the typical customer to see ROI from your solution?
- Does the IT team have any involvement post-implementation?
- If the solution is not 100% SaaS, what is our IT Team's involvement for future product releases?
- Who is responsible for future activities such as additional custom queries, dashboards created or users added?
- If we continue to add locations (or acquire new companies) will we be able to easily get them installed onto your platform?
- Do we have technical support resources dedicated to our organization post-implementation?
- What type of communication can we expect from your organization post-implementation?
- Are there internal user groups that would allow for peer-to-peer training or idea sharing? Can members from our IT organization participate?



About Agilence

Agilence (www.agilenceinc.com) is the industry leader in cloud-based data analytics solutions for store operations and loss prevention for retail and restaurant organizations. Agilence develops a highly flexible and powerful cloud-based reporting solution that provides organizations with a complete view of their business, empowering them to make informed decisions faster, to increase efficiency, and improve profit margins across the enterprise.

Agilence, Inc. is headquartered in Mount Laurel, NJ. To learn more email sales@agilenceinc.com or call 856-366-1200.

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