



POS Business Intelligence: Today's Data Driving Today's Decisions

Influencing Results with Real-Time Decision Making

WHITE PAPER
By Joel Doherty
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This white paper examines the ROI in analyzing store data both in real-time and in historical modeling to affect both the top and bottom line of your quick serve restaurant locations. Focusing on the needs of owner/operators and store managers technology driven management tools are changing food service management around the globe.



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EXECUTIVE SUMMARY

What makes a food service franchisee succeed? Is it the way they look at the world? The way they build their business model? Is it how they focus on their business plan? The way they address the needs of their customers? Is it location? Or, is it luck? If you ask one of the thousands of food service franchisee owners around the globe you might hear that it's all that and more.

The state of the economy since 2008 has changed the way the food service industry has grown and trends that are surfacing in the needs, wants and desires of consumers. A shift occurred in both the fine dining and quick serve restaurant (QSR) industry which allowed the fast casual sector to grow in popularity and in capturing a greater share of the out of home food eaters pocket book.

In understanding choices, trends and habits of the consumers particularly those frequenting the QSR franchisee locations it became critical that available data be captured, analyzed and acted on as quickly as possible. POS systems provide a tremendous amount of data, but frequently the data is not sliced and diced into digestible chunks and served up to the owners/operators and store managers in a timely enough manner in which to make revenue generating or cost cutting decisions with the accessibility, analytical foresight or detail required to alter the situation in real or near real time.

This white paper outlines how technology is being used to assist in management decision making, and to deliver a powerful ROI story to support the needs of the franchisees and store operators.

QSR franchisees have lacked access to real knowledge to manage their day-to-day operations.

WHY TIMING IS EVERYTHING

In the QSR market, we truly need to manage the pennies and the key performance indicators (KPI's) for the business at a finite level to ensure operational success and profitability. Several POS applications offer analytics and dashboard capabilities to provide some of these KPIs, BUT they offer this data as end of day information or at some intervals during the day (every hour for example). In the QSR business information that is a day old or even an hour old may be irrelevant. Real-time meaningful business data is the best option for two key reasons. First, it is more meaningful and second, it can support real-time business decisions where historical data simply cannot.

To highlight the importance of timing consider the following example:

"In our franchise stores we report on our labor and productivity metrics at the end of the day each and every day."

Sounds good, but it still leaves the team responsible for operations short handed. If the labor and productivity results are reported at the end of day you are missing two key opportunities:

- The end of day historical information is less meaningful as it reports on the average labor and productivity results for the day, but does not provide insight into how labor and productivity actually played out through the different day parts.
- And, the historical end of day labor and productivity information becomes ultimately useless because I can't take immediate action on the labor and productivity data at the time it occurs and therefore cannot immediately influence operational performance and results.

Now imagine the labor and productivity data was available in real-time...to the second. If labor and productivity was trending outside the acceptable KPI parameters between 2PM and 3PM I could influence the labor by sending an employee home, re-assigning work or evaluating the accuracy of scheduling for that period or day part, day over day. The result is a measurable reduction in labor overage...something the majority of QSR franchisees deal with constantly.

If we only reduced labor overage by 2 hours a week at an average hourly rate of \$10/hour we would save \$1,040 for the year...this goes right to the bottom line. Now consider other measurable improvements that you can realize by analyzing sales metrics such as drink %, meal deal results, menu mix, discounts, no sales, void transactions and other cash management activities in real-time and the contribution to your bottom line profit immediately reaches into the tens of thousands of dollars on an annualized basis. Achieving these types of results has been proven over and over again by the thousands of QSR franchisees who have opted for the real-time data as compared to other analytic solutions that only offer end of day or interval based data results.

WHAT REAL-TIME METRICS MAKE AN OPERATIONAL DIFFERENCE?

- Labor and productivity results to continually gauge when you are in a labor overage situation;
- Voids, No Sale transactions and other “adjustments” on the POS system (a source of employee theft);
- Targeted metrics for the day...”let’s push Drink % to 80% for the day team!”;
- Sales to understand whether we are close to meeting the daily goal or how far we may be falling short...and then adjust the in-store efforts to compensate;
- Cash management activities to assess over/shorts, cash-ins and other cash management tasks instantly.

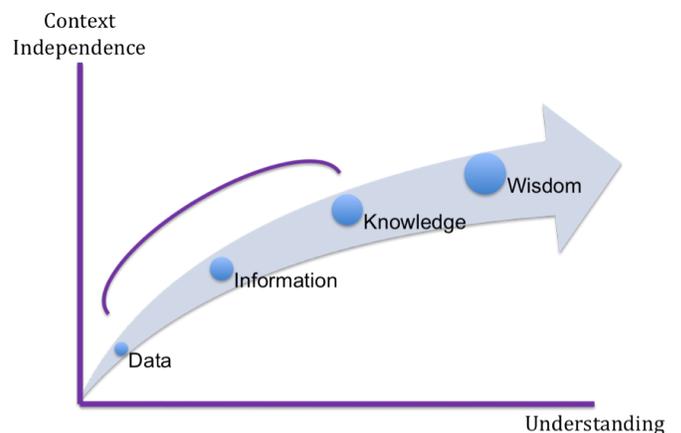
The famous management guru Peter Drucker once stated, **“If you can’t measure it, you can’t manage it”**.⁽¹⁾ We are required to manage our business in real-time each and every day. So why should we accept tools or data that is not being provided in real-time to support our management efforts? We shouldn’t! Access to meaningful and timelier data (real-time) and metrics is critical to making more meaningful and timelier business decisions. Don’t settle for less if you don’t have to.

THE JUMP FROM DATA TO KNOWLEDGE

Today our business society and work environments are swamped with Data...it is everywhere. The challenge is how does that data ultimately help me run my business and make me more successful. The unfortunate answer is that the data itself does not. Data is being captured and delivered today by countless technologies and solutions, but data for the sake of data is absolutely useless.

To succeed and make meaningful change we must base our decision making, operational focus and management efforts on knowledge not just data. So how do we get there? Consider the well-documented Knowledge Hierarchy ⁽²⁾ and its four stages.

Knowledge Hierarchy

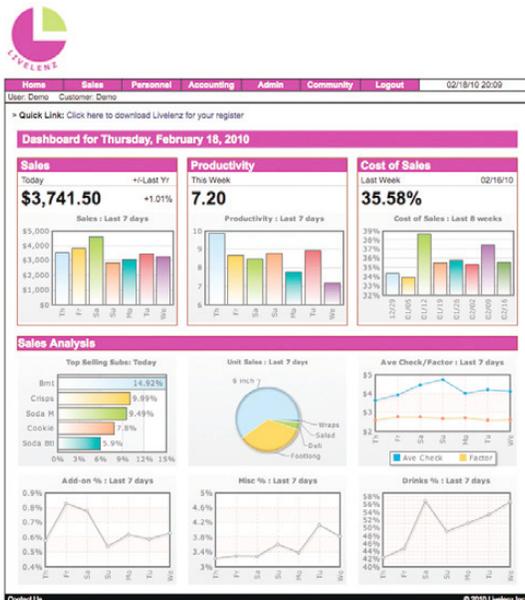


- **Data** is the facts you will work with and they are without context.
- **Information** comprises these facts with some context and perspective allowing you to see the relations between data. Still may not be enough to properly manage your QSR operation.
- **Knowledge** comprises information and where you start to see patterns in those relations and begin to understand those patterns. Patterns give you predictability and repeatability (validity and reliability). With knowledge business has direction, guided by metrics and validated with results.
- **Wisdom** comprises knowledge and occurs when you understand why these patterns are occurring. When the pattern is understood at this level you have high predictive and reliability powers.

So how does this relate to running one or more QSR establishments? Think about the data we try to use every day: POS reporting, financial statements, inventory data, transactional numbers, customer counts, average check, cost of goods, etc. All important, but typically out of context and presented or considered without reference to patterns, trends or relationships that exist between the various sources and outputs of data.

Solutions that effectively capture, analyze and present knowledge that is in context, easy to interpret and demonstrates the critical relationships between trends in your business typically deliver an exponential return on your investment. More spreadsheets, accounting like data and mounds of reports make the business less efficient and consume considerable time and effort to translate the data offered into real legitimate knowledge that can be applied on the fly.

To illustrate the jump from data to knowledge consider the following:



In this example we have knowledge that is presented in context such as real-time sales with comparisons to sales performance on the same day last year up to the same moment last year. We have trends that illustrate the relationship between Drink %

performance, Meal Deal performance and Miscellaneous sales performance relative to how the average check is trending, as well as clear knowledge on how the top selling products of the day are performing relative to each other.

The jump from data to knowledge is not wildly complex or difficult to achieve. But it does require you work with people and/or solutions that understand your business; they can bring knowledge to the table at a meaningful level, and do not simply approach data as something they "have a lot of".

THE MOST IMPORTANT METRIC: PROFIT!

Achieving the point at which your business is rich with knowledge should result in a business that also enjoys health profit.

There are several examples where knowledge can directly and immediately influence business decisions and actions that directly and quantifiably determine just how much profit is attainable.

Let's use another real-life example. Again, we'll reference the ability to attain real knowledge on how drinks are selling in the store(s) and whether achieving measurable targets has an impact.

Let's presume ACME Sandwich Shop can demonstrate an average drink % result of 64%. So sixty four percent of all sandwich orders include a drink. Drinks of course have strong margins so the higher the drink percentage result, the more profit we put into the business.

Our QSR store currently averages a 64% Drink % metric weekly. To be conservative, the store is looking for a mere 6% increase in our Drink % results reaching an average of 70%.



The store also averages 1,800 units a week from a sales standpoint. So the store is effectively leaving money on the table

for the incremental 6% of orders it would like to include a drink with. To measure this we simply take 6% of the 1,800 units for the week and that suggests there are 108 units that we think could or should be going out the door with a drink are not. So by introducing some basic up-selling techniques to the staff, we are able to achieve the Drink % goal of 70% after a few weeks of practice. The additional 6% we are achieving delivers the following financial impact.

Weekly Unit Sales: 1,800 Units

Add'l Orders w/Drink at 6% Increase: 108 Drinks

Price for a Medium Fountain Drink: \$1.69 Each

Wkly Rev. for Increased Drink Sales: \$182.52

(108 drinks x \$1.69/each)

Annual Rev. for 6% Drink Increase: \$9,491.04

(\$182.52 x 52 weeks)

By increasing our Drink % results by a mere 6% we can add a whopping \$9,491 to our financial results for the year. And most of it is profit being fountain drinks. Now take the same approach to relating your meal deal results to profit, your product mix results and minor incremental changes that we may not be focused on day in and day out and they can make a substantial difference on the bottom line.

SO HOW DO YOU MEASURE YOUR GUT FEELING?

The short answer is you can't. Franchisees and operators must possess critical business knowledge and have the means and tools to measure, monitor and modify business performance in real-time. The challenge in the food service sector has been the lack of availability and access to data...never mind real business knowledge. Data has in large part been stored at the POS system or in accounting applications. Data is "raw" and not something we have been able to access and apply while running the business day to day. Instead we have relied on weekly historical reports and data to confirm or deny what our "gut feeling" was telling us during the workweek.

While we all keep a pulse on the business by observing it directly, nothing compensates for concrete, timely knowledge that

you can act on. If you combine your best intentions, gut feelings and observations with measured and accurate knowledge... you're going to be unstoppable. So even where your position is "I don't need real-time data or business intelligence because I am in the store all day", think about what knowledge and information you have at your fingertips and how you apply the knowledge today. The truth is most don't do a great job of this because real knowledge and information is not readily available. Guessing our way through the day is the norm, and the downfall of many a restaurant operator.

An Operators Perspective:
"...these are the wrong facts. I want facts that agree with me."

LIVELENZ SOFTWARE PORTAL & SERVICES

The Livelenz POS analytics portal has been designed and developed by QSR franchisees for QSR franchisees. This is critical factor in considering why Livelenz has enjoyed tremendous success to date and why it stands above the competitive products that come across as technology solutions developed by technology companies. Livelenz understands every intimate detail of store operations, optimizing processes, common pitfalls and best practices. And the knowledge of the team and the over 5,000 stores currently using Livelenz all roll into the product's constant evolution.

Because real-time analytics, knowledge and tools have such a profound impact on each individual store and the concept as a whole, Livelenz has approached the market with an eye to be 100% POS hardware or software agnostic. The company focuses on its one core strength which is more meaningful and more timely knowledge delivered to you in context and in real-time through any browser in the world.

Livelenz also appreciates the business environment QSR franchisees and concepts must work within. And in response the company offers their web-based solutions through a monthly subscription with no contracts, no hidden fees and no commitments of any kind. Either you see the value and love it,

or you don't. To date, the company's ability to maintain customers month over month within our simple business model exceeds 98%. We simply know you will earn benefits and real dollar returns exponentially greater than your monthly subscription, and what is even cooler are all the different ways franchisees tell us they are earning a return...ways we didn't anticipate when considering our value proposition. Some of the best examples include:

Strong increases in sales that are driven by a better understanding of the customer's buying behavior. With a different perspective, you can introduce changes to marketing and sales initiatives that have a measurably higher impact on sales volume;

Improve profits without increasing sales by leveraging Livelenz analytics on how each product you offer performs relative to the overall product mix. New pricing and margin strategies jump out at you and offer bottom line increases;

Reduce labor overage and put more money to the bottom line by managing labor and productivity in real-time whether you are in the store or sitting at the beach. If you have access to the internet you have the ability to manage labor instantly and remotely;

Dramatically cut losses in the store by leveraging full integration with digital video surveillance systems that marry transaction details and corresponding video for everything that takes place within the store and at the point of sale.

Export Livelenz information to support all your business applications. Whether it is importing Livelenz data into your accounting package, exporting to Excel to run additional analytics or to support any other business application, Livelenz data is available for full export so you can get the most of it across the business tools you use.

Return on Investment Livelenz produces measurable financial results within every store environment where it is deployed...proven and quantifiable.

Livelenz supports is online software portal with support services such as:

Training - our training services allows you to better understand how to interpret and capitalize on the real-time knowledge offered by Livelenz. We can offer best practices, opportunity spotting and process improvement advice to ensure the financial return you receive from Livelenz is exponential every single time you access the portal.

Hosting - our software portal is available 24x7x365 for customers needing round the clock access to store activity and performance based reporting.

Support - our technical support team has deep expertise in store operations and how our analytic software works inside and out. We can assist with any technical, operational or "How Do I" inquiry you may have.

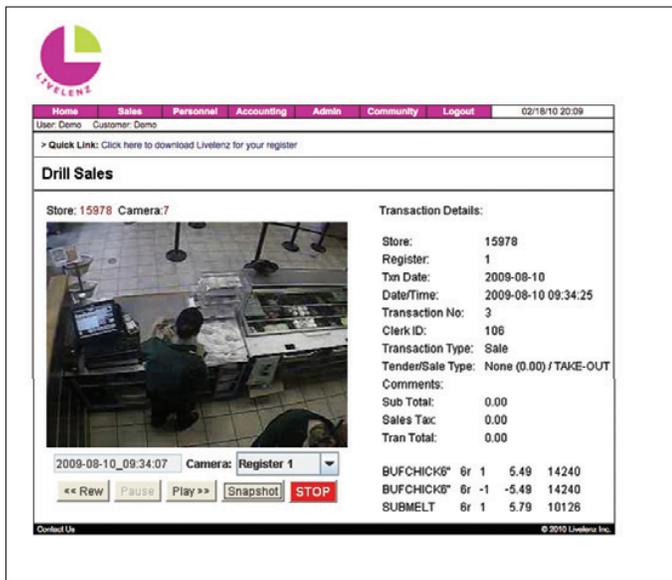
Digital Video Surveillance (DVS)

To appreciate all facets of store operations and to be able to act, you have knowledge in the form of operational trends, key performance metrics and process relationships that occur in the store. But to truly get the full picture you must also be able to integrate the knowledge captured and conveyed in Livelenz with video information captured by the store's video surveillance system.

To empower franchisees with real-time POS and operational knowledge combined with a bird's eye view of exactly what transpired when a particular VOID transaction, No Sale or other anomaly occurs in the store (alerts and notifications can be user defined to trigger knowledge transfer to your email or phone with corresponding video footage to support the alert), means full control. This allows franchisees to have a constant pulse on the business whether they are at another store or feet up on the porch at the cottage. In fact, we have stories of franchisees monitoring and managing their stores from deer blinds while out hunting, lying on the beach, participating in a wedding and a host of other unsuspecting events.

The following example highlights an irregular Item Correction or VOID transaction where an employee rang in a Chicken

sandwich with a Sub Melt and collected the amount for the total sale from the customer. The employee then Item Corrected or VOIDED the Chicken sandwich from the sale and put \$5.49 in their pocket and the only the \$5.49 for the Sub Melt went to the store or franchisee. Unbeknownst to the staff member, the Item Correction or VOID triggered an alert where the franchisee had configured Livelenz to alert them on all VOIDS for more than \$5. The alert reached the franchisee (on vacation) through an automated email and they simply selected a link within the email which provided instant and direct access to the transactional details that led to the alert for a VOID over \$5 AND that captured the staff member on video putting the \$5.49 in their pocket.



Full access to all operational POS information and corresponding video changes the entire dynamic on how we manage our QSR stores today. And this is just the beginning. Livelenz will be releasing several additional modules in the coming months that continue to add value and exponential ROI for our fellow franchisees.

CONCLUSION

For franchisees and store operators finding solutions that drive results and pay for themselves are must have solutions. Livelenz for QSR, C-stores and Service Stations provides a solution that drives results by efficiently integrating with POS systems and DVS systems facilitating valuable business decisions that affect the bottom line. The tools and knowledge are provided in real-time; the same timeframe within which you are required to manage the business.

As franchisees the team at Livelenz focuses on simply solutions, delivered within a simple business model, while ensuring massive returns. This eliminates risk for franchisees and ensures Livelenz are at the top of their game in delivering meaningful solutions.

ABOUT LIVELENZ INC.

Livelenz Inc. (www.livelenz.com) has developed Livelenz™ software as a complete POS data analytics tool designed to provide real-time SaaS business intelligence wherever you might be via smartphone or web access. Livelenz™ software enables clients to check their stores performance and sales from anywhere internet access is available. For a more robust solution, bundle Livelenz™ software portal with digital video surveillance (DVS) products. The Livelenz™ software suite provides easy to read POS dashboards, reporting & analytics, with easy access and presentation of your business metrics in real time; consolidating information for any number of stores and turning into concrete knowledge you can use instantly. Serving more than 5,000 QSR restaurants, C-stores and service stations across North America, Latin America, Germany, Australia, and the United Kingdom; Livelenz Inc. offers a variety of service packages tailored to each organization.

To find out how Livelenz can help your business achieve new levels of results contact Joel Doherty at Joel.Doherty@livelenz.com or visit www.livelenz.com.

ABOUT THE AUTHOR

Joel Doherty is President of Livelenz Inc. and a seasoned QSR and software executive. Joel has led organizations such as Subtotal POS Systems, a company that supports over 10,000 QSR franchisee locations in 18 countries, Livelenz in his current capacity and served as Global Practice Manager in the Financial Services sector for Siebel Systems, the largest CRM company in the world. Joel is a guest speaker at key QSR events globally, and brings a passion to the creative opportunities technology can play in developing store based operations. To contact Joel Doherty, email: joel.doherty@livelenz.com.

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