E-BOOK

The Restaurant Moneyball Metric:

Why the #1 Driver of Performance is Your GM

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Introduction

The restaurant labor shortage has had a massive impact on the industry over the past year. Issues surrounding wages and benefits along with challenges related to childcare, opportunities in other industries and concerns about physical and mental health are four of the driving factors.

In addition to the shortage of hourly workers, restaurants have also seen fluctuations in management-level support. Excellent restaurant managers – everyone from floor managers to GMs, assistant GMs, chefs, bar managers, HR managers and others – are central to a thriving restaurant team. Managers often leave when they're burnt out, underpaid and not engaged in their jobs.

Current GM Engagement Trends

A pre-pandemic employee engagement report suggested 35% of managers are not engaged and depart within a year. Work/life balance tends to be a critical part of this, and emphasis on such was only made more prominent in 2020 and 2021. In fact, data from February 2022 shows turnover for restaurant managers both in limited- and full-service restaurants increased during each quarter in 2021 and reached historically prominent levels.

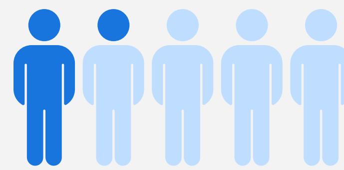
While general manager total compensation (including base salary and bonuses) increased at an accelerated rate in recent months, and year-over-year growth in total compensation for the median general manager in a limited-service restaurant increased by 3.7 percentage points between August and November of 2021, proof that inflation is having a great impact on employee retention. Given the unusually high inflation rates, gains in general manager pay have been totally erased for limited-service managers and are far less attractive for full-service managers.

Pinpointing a solution here may be difficult, but it's nonetheless crucial for growth and sustainability. While your competition is likely making reactive decisions to lower turnover and boost profitability, it's important to focus on getting to the root cause of any positive or negative impact to truly drive change. For example, poor management and lack of development opportunities are some of the top reasons frontline teams leave.

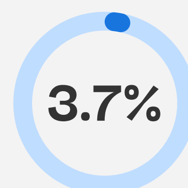
You might be able to compensate for a certain amount of turnover from your FOH or BOH teams, but there isn't a restaurant brand out there today that can afford to lose their GM.

35%

OF MANAGERS ARE NOT ENGAGED AND DEPART WITHIN A YEAR



TOTAL COMPENSATION FOR THE MEDIAN GENERAL MANAGER INCREASED BY



POINTS BETWEEN AUGUST AND NOVEMBER OF 2021

Why Focus on GM Retention?

GM retention is often considered the “moneyball metric” since it’s most critical to restaurant success. Although restaurant technology has grown immensely, and innovations in data aggregation and reporting have ensured that operators have more information than ever about their businesses, there’s still a disconnect.

Managers need all this now-available data to come together in a succinct way to make better business decisions. This helps managers drive product and service consistency as well as make decisions to control costs and improve margins. They also get more visibility into relevant, high-level data on an ongoing basis.

To better understand how GM retention can affect a restaurant, we gathered data from one of our clients, a full-service casual dining chain. This restaurant saw numerous growth points across the business. Here’s a breakdown:

Case Study: Fast Casual Dining Chain

To best gauge the significance of our client’s growth, let’s first take a step back and look at the industry as whole. Industry sales growth significantly slowed down in December, then returned to negative levels by early January. Traffic growth remained negative and back to double-digit losses by the end of December.

Behind every guest is a consumer experiencing inflation, which concerns “recreational” expenses like dining out. Fortunately for some, inflation hasn’t had a negative impact on guest happiness across all restaurant segments and service-styles. Overall guest sentiment held up for full-service restaurants, but the limited-service sentiment continued to drop. And like we previously mentioned, turnover rates and hourly wage growth rates hit new record highs for both full- and limited-service.

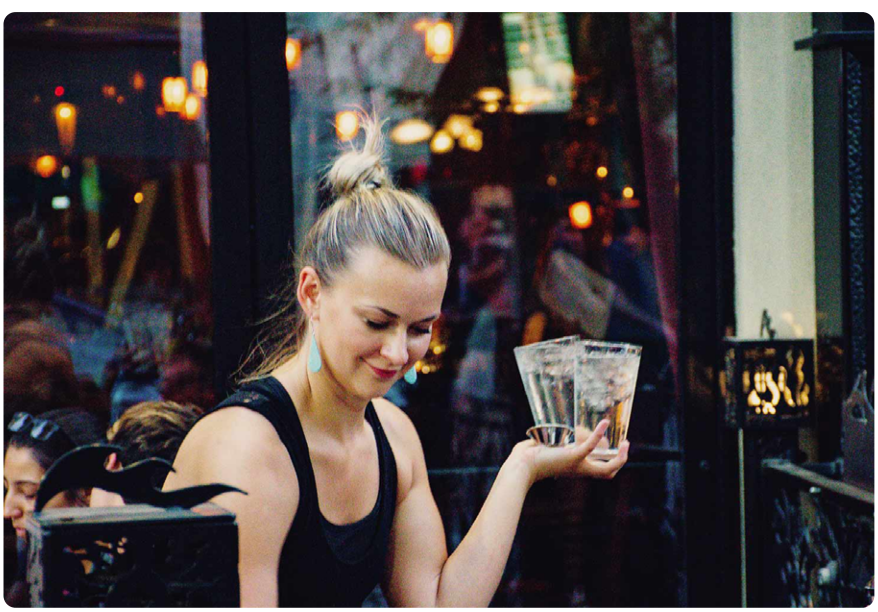
Despite all those factors, this brand outperformed its segment in 75% of states. Why was this? To start, this restaurant’s General Manager turnover, arguably the most important position within the restaurant in terms of its effect on overall performance and employee retention, was an outstanding 13 percentage points better than the benchmark for its industry segment.

This affected overall employee retention and morale. Turnover for their hourly, non-management employees was over 17 percentage points lower than their segment benchmark. Turnover for their assistant managers was also lower than their peers by over 3 percentage points. The fact that they have much better retention of their General Managers is likely a factor contributing to their strong retention throughout the restaurant employee ranks.

How did they retain management, and subsequently, employees? The total compensation (base salary + annual bonuses paid) for their General Managers at the national level as well as in those states in which they have their largest number of locations was higher than what the median General Manager working for a competitor in their segment is paid.

The effect of these lower turnover rates, being likely driven by very high General Manager retention, can be perceived through more positive guest feedback. The brand's 'intent to return' net sentiment is 9 points higher than the benchmark for their industry segment. Their food sentiment is also 4 points higher than their peers, service sentiment is 6 points better, and ambiance sentiment is a much stronger 6 points as well.

Their same-store sales and traffic growth were both almost 7 percentage points better than the benchmark for their industry segment (casual dining). Additionally, while the norm for companies in their segment was declining guest counts, traffic was positive for the brand. These are impressive gains despite the floundering market!



GENERAL MANAGER TURNOVER

13%

BETTER

THAN THE BENCHMARK FOR ITS INDUSTRY SEGMENT

BRAND'S INTENT TO RETURN NET SENTIMENT

9+

POINTS HIGHER

THAN THE BENCHMARK FOR THEIR INDUSTRY SEGMENT

FOOD SENTIMENT IS ALSO

4+

POINTS HIGHER

THAN THEIR PEERS FOR THEIR INDUSTRY SEGMENT

What's Ahead for the Restaurant Industry?

Having core management in place is pivotal to navigating industry expectations for 2022. According to our insights, -0.5% to 1.5% YoY comp sales is expected on average for the rest of 2022. Guest traffic will remain one of the biggest challenges, as guests cut back restaurant orders due to rising prices. If you're looking for ways to increase guest traffic to your restaurant, explore tactics like optimizing guest experience and targeting younger diners to start.

Many brands will again lean into value offerings. As inflation inhibits the growth of the dollar, many brands are getting creative with incentives and focusing on value.

In looking at restaurant industry growth trends in 2022, we expect to see more creative promos and incentives to attract customers and make them feel like they're getting more value for their dollar. For example, Taco Bell recently launched a subscription service.

COVID also remains a threat: which primarily means potential shifting of consumption back to off-premises, but also some overall reduction in traffic. Restaurants will also continue to face execution difficulties, given the relentless turnover challenges which are expected to linger. Continue to monitor relevant KPIs to ensure your restaurant is on track.

Best Practices for GM Retention

Managers should be sure to integrate tools and systems that make both front-of-house and back-of-house processes more efficient. For example, a manager working with antiquated print-out spreadsheets and schedules is likely wasting a lot of hours on manual labor, and today's tech-savvy employees likely have a harder time navigating such. Invest in online scheduling, inventory and payment systems that save time for management and are easily to use for floor staff.

Additionally, ensure the team is properly staffed with multiple managers covering different aspects of the business. That way if one is burned out, you're not left floundering. This also provides the opportunity for more intimate relationships with team members. Many employees enjoy giving or receiving mentorships in their careers and the more levels of support available, the better.

At the end of the day, managers should be able to run their establishments as efficiently as possible. By implementing proper technology and increasing employee morale and retention, GMs are more likely to achieve success and stay on long-term.

How do your GM retention metrics compare to your industry peers?

Learn how you can compare your wage and turnover data to other restaurants in the industry or your segment and see how it impacts your financial performance.

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