



BLACK BOX
INTELLIGENCE

Operator's Guide to Restaurant Benchmarking

DRIVE ACTION & IMPACT YOUR ROI



INTRODUCTION

As a restaurant operator, you must have a solid understanding of how your individual units are performing as well as how your overall brand ranks among industry and segment peers. To do this successfully, it is essential to develop a benchmarking framework. Many of the top performing restaurant companies have achieved ongoing success by implementing best practices derived from their benchmarking efforts, both internally and against competitors.

This guide will help you develop a benchmarking framework for your restaurant. It includes:

- The elements of a benchmarking framework
- How to define your benchmarking mix and select KPIs
- Examples of benchmarks you can apply to your restaurant
- A Q&A about benchmarking from a top quartile restaurant brand

At its core, benchmarking is the process of identifying best practices to determine where an organization stands in relation to internal processes or other companies. But it's more than just a process. It is a tool that enables operators to recognize problem areas and find opportunities for continuous learning and improvement. Four main different types of benchmarking include internal, process, competitive and industry benchmarking.

Internal Benchmarking

Determining internal standards of performance and transferring to other departments of an organization can be supported with internal benchmarking efforts. This can be done by comparing metrics across multiple units or departments.

Process Benchmarking

Process or generic benchmarking studies processes and procedures. It can be done internally or externally and is not limited to industry or similar organizations. Restaurant operators can learn from retail or tech companies, for example, as long as there is a broad understanding of the process being studied.

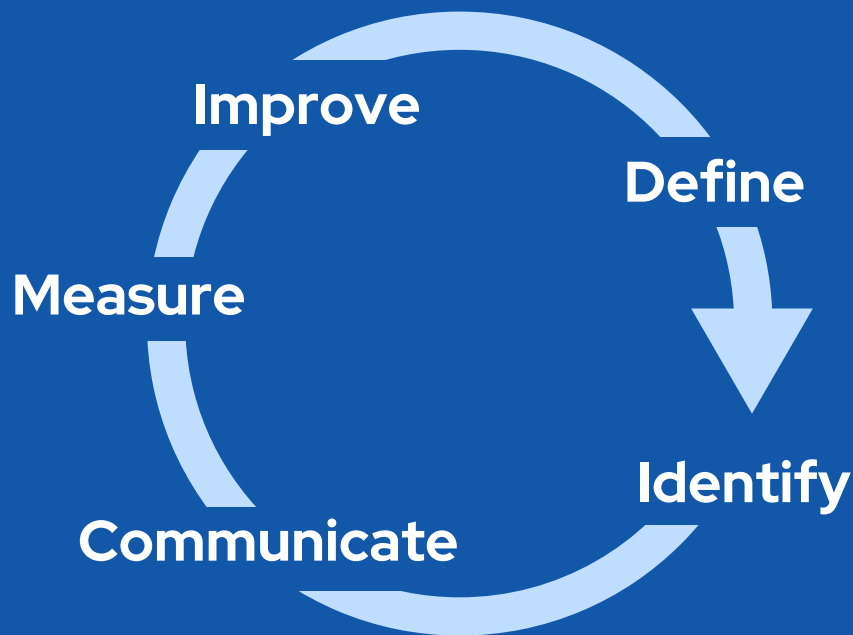
Competitive Benchmarking

Conducted externally, competitive benchmarking compares companies in the same markets with competing products or concepts. It requires thorough investigation of competitors' metrics, which can be tricky to find.

Industry Benchmarking

Like competitive benchmarking, industry benchmarking is also conducted externally and can include similar metrics. Operators gain useful insights from comparing metrics with other restaurants across multiple segments or cuisine type.

Develop a Framework



The key to top performance is developing a benchmarking framework and keeping up with it. Your plan outlines an objective process that should factor out anecdotal evidence from your decision making. Once you've developed a structured approach to look beyond internal metrics, consistently analyze the results to help identify key areas of opportunity for your business.

Your benchmarking framework will vary from other operators based on your desired goals and outcomes. Nonetheless, at the core, it will follow a similar pattern. Identifying areas for improvement is the first step. Once defined, a system must be implemented to measure, analyze and improve. A successful benchmarking strategy is consistently evaluated and progressively refined.

Define what you plan to measure. Determine your KPIs and research your competitors and industry.

Identify benchmarks based on the results of your research and KPIs. Ideally you will have internal and external benchmarks.

Communicate targets to your team. Maintaining transparency is key to ensure everyone is working toward the same goal.

Measure your performance against your chosen benchmarks. Data can come from multiple sources. Set new KPIs to reach desired benchmark targets.

Improve by applying insights to the data you collect. Set a cadence to regularly revisit benchmarks and adapt as needed.

What Metrics Should You Benchmark?

It's important to differentiate between benchmarks and key performance indicators (KPIs). Benchmarks are indicators of what other organizations or departments are achieving based on the practices they have put in place. Key performance indicators are measures of how well you are performing compared to the goals or objectives you have set.

For example, you set a KPI to be in the top performing quartile for sales growth in your casual dining segment. You learn that the industry benchmark for sales growth in your segment is 3.2 percent, and your company is at 2.2 percent year over year. A new KPI could be set to increase sales growth by 0.25 percent per quarter to reach the desired result in one year. Setting KPIs and benchmarks work in tandem and are essential to a successful strategy.

Begin with what is most important to your brand. Do you want to be the best at employee retention? Sales and traffic? Service? Decide what success looks like internally, then venture out

and see what it looks like for everyone else. Benchmarks will show you how you measure up to your competition and also if your goals are realistic.

"You know your model, your stage and even what metric matters most right now. But what's normal? Unless you have a line in the sand, you don't know if you're crushing it or being crushed."

Alistair Croll and Benjamin Yoskovitz,
Lean Analytics: Use Data to Build a Better Startup Faster

It's possible to get an overload of data. Surely you've experienced "analysis paralysis" at some point. To mitigate this, spend some time up front to make sure you are tracking the metrics that will yield you the most optimal information and results. Sales and traffic are significant metrics to track, for example. However, comparing them against the right segments and competitors is key.



Benchmark Examples

SALES & TRAFFIC

By geolocation
By segment
By cuisine type
Comp sales

Weekly average
PPA check growth
Sales mix
Sales type

WORKFORCE

Turnover
Compensation
Bonus
Total rewards

Bonus
Employee benefits
Demographics
Sales per labor hour

GUEST SENTIMENT

Food
Beverage
Service
Ambiance

Intent to return
Value
How your online sentiment affects sales & traffic

CONSUMERS

ROI of promotions
Share of wallet
Guest frequency

Dollar share of market
Check size
Customer demographics

Benchmarking in Action

Black Box Diner vs. Full Service

FINANCIAL METRICS		WORKFORCE METRICS		GUEST SENTIMENT					
Sales Growth	Traffic Growth	Mgmt. Turnover	Non-mgmt. Turnover	Food	Beverage	Service	Ambiance	Intent to Return	Value
3.07%	0.12%	25.3%	91.5%	39.7	34.6	51.6	26.9	53.8	31.7
3.04%	0.31%	27.8%	94.7%	44.6	36.5	48.4	42.4	50.3	40.2
-0.82%	-2.73%	36.0%	104.8%	42.8	33.9	40.3	37.7	36.4	33.3
-5.35%	-6.06%	44.7%	115.3%	34.6	29.2	34.8	28.8	21.3	25.7



Case Study Example

Black Box Diner is a full-service restaurant setting benchmarks for the quarter. This example scorecard for Black Box Diner combines financial, workforce and guest data from other table service restaurants to capture what differentiates the top performing restaurant brands from the rest. Black Box Diner can see benchmarks from the top, median and bottom quartile brands and compare with their metrics. This gives their executive team actionable information and allows them to set KPIs based on how the rest of the industry is performing.

By looking at traffic and sales growth, we see that Black Box Diner is right on par with brands performing at the top. They are also outperforming their competitors in turnover for both management and hourly employees. These are good indicators that what they are doing in these areas is working and helps them identify which practices they should continue.

On the social feedback scores, however, while they are showing high service sentiment (based on guest feedback through restaurant reviews and social media platforms) and high intent to return scores, there is some work that can be done in terms of restaurant ambiance.

The goal is to be data-driven rather than simply informed. This data provides Black Box Diner a well-defined picture of how they are performing in the market and helps identify key areas for improvement. Having access to clear cut data from a reputable source eliminates a lot of the guesswork from decision making.

Once the benchmarking process is put in place, the real fun begins. A deep dive into the data will bring a lot of insight. Many of the highest performing restaurants are able to yield top results across multiple categories, but it's not always wise to tackle everything at once. Prioritization is key. Now that you have the benchmark indicators, you know what is possible, it is just a matter of applying the knowledge to get there.

Twin Peaks Q + A

Twin Peaks consistently reports sales and traffic increases, attributed to making improvements on guest experience. Benchmarking is an integral part of their strategy, as learned from this Q&A.

What are the building blocks of your benchmarking strategy?

We align everything with our mission/vision and goals of the company. We make sure that everything we do is impacting them in a positive way. The things we measure can change depending on what we are focused on, but the main areas never change. Sales, traffic, social scores and people metrics.

What are the MOST important metrics you track?

Traffic and intent to return.

What benchmarking metrics bring you the most ROI or value?

Sales, traffic, intent to return, turnover, actual vs theoretical food costs and labor hours per 100 guests.

How does tracking comp sales and traffic data contribute to your overall growth strategy?

We firmly believe that sales and traffic speak to the health of the business. Black Box Intelligence gives us the data point of understanding our own health and trends versus the impact of external market conditions.

What internal benchmarking is most beneficial to your organization?

Volume banding comparisons and key performance indicator reporting.

What external benchmarking is most beneficial?

Sales and Traffic vs Market, all social scoring regarding the guest experience at our restaurants vs competitors, turnover, salary and benefit comparisons (to make sure we are staying competitive).

Who manages benchmarking at your organization?

Since we are a small group, we all work on benchmarking. Finance measures things impacting sales and traffic. Training/HR measures turnover measures and marketing measures the social space.

What are the positive effects on your business you've seen from benchmarking your metrics?

It has helped us understand where our strengths and weaknesses are, what makes our guests come back and what keeps them away. From there, we are able to create plans to maintain our strengths, while focusing on our weaknesses.

What internal processes or practices have been impacted as a result of insights gained from benchmarking?

Benchmarking impacts everything we do both within the corporate office to the field. It helps us understand where our focus needs to be in every aspect of the organization.

Interested in learning more about how your brand performs against your competitors?

Visit blackboxintelligence.com/demo/ to speak with a product expert.