

Paying specialist software firms to help companies slice, dice and understand vital business data is a key weapon in navigating the current choppy trading waters, argues **Ben Hood**

The science of software appliance

These are challenging times for our industry and indeed the world. The unforeseeable scale of the global economic downturn has caught many companies off guard and forced them to reassess how they do business, both now and in the future.

It's times like this that strengthen my belief that technology companies should set out to be more than just a provider of software. Beyond the software has to be a commitment that guarantees a lifetime loyalty to the customer through good times and bad. And never more so have customers needed that ongoing service, support and loyalty.

Of course, there is no quick fix when it comes to surviving the kind of events that the world's economy is experiencing and this is no time for false idols, but a back-office system that cuts cost, boosts efficiency and provides you with increased control can and should be taking its rightful place alongside any front-office measures being initiated. After all, to quote Microsoft founder Bill Gates, "information technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without talking about the other." And yet too often technology is ignored when it comes to improving business strategy.

Too often, companies slash costs front-of-house instead of seeking to understand those costs better via back-of-house systems, allowing them to preserve visible front-office service and company values. While the here and now brings much tumult, it is vital in our industry – perhaps more than any other – that service levels are maintained so that brands are preserved for the calm after the storm. After all, there's no point surviving a recession if companies have to disillusion their customer base in the process.

While many hospitality businesses have started to see the difference that technology can make, I believe there is still a long way to go. The sector is yet to embrace fully what is available today. Through the right system, companies can be given the ability to react swiftly and be confident that they are being as efficient as possible within the areas of GP and labour. They can ensure they are not being overcharged by suppliers and are able to talk more proactively with them and identify what help they need from them. Perhaps most importantly, the system affords them the foresight to see any changes in revenue trends and as a result counter those shifts before they cause overspends.

Indeed, from time to time, many hospitality businesses stop making money and they don't know why until it is too late and even then they can find it hard to comprehend exactly what went gone wrong. However, clients now have the ability to produce a daily profit and loss account (P&L) against a theoretical P&L, so they can react and tweak instantly. Without this kind of system, they would have to have a large head office, very clever spreadsheets and managers who spend all their time



Carluccio's: the chain is improving efficiencies

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in the office instead of being on the shop floor.

I can speak from personal experience of some of the figures that our customers – who include Carluccio's, Gondola Group and Wagamama – are feeding back to us in terms of cost savings, efficiency and control for their business. These include a 15% increase in purchasing compliance, 80% reduction in the cost of processing invoices, a typical 2% saving on wage cost and a 2%-5% increase in gross profit due to more effective tracking and control of stock. Of course, these figures take on increased significance in the current climate, but when the storm clouds have dissipated you can be sure that the right system can continue to refine businesses by playing a significant role in the perennial challenges that hospitality businesses face of controlling the two main cost centres of labour, and food and drink. Controlling labour spend and having the right people at the right time to serve the customer is critical as is knowing what food and drink you buy from where and at what price, so that when you have prepared it,

served it and sold it, it generates maximum profit.

There is also a whole host of additional challenges, in particular around compliance and employment law, that technology can and should be helping businesses to deal with. It will not solve all your problems, but it will allow you to control, measure, react and reward. It will create best practice and give your business the best possible chance of success.

Furthermore, in Software as a Service (SaaS), there exists the perfect delivery model to ensure businesses get the best service from their software provider.

The low investment, quick ROI service-subscription model of SaaS has had real momentum over the past few years and I believe it is now reaching a stage where it is no longer merely an option but a necessity and a cornerstone of future best practice.

When Gartner picked its key predictions for IT organisations and users in 2008 and beyond, SaaS was prominently placed. The research and advisory group said that by "2012, at least one-third of business application software spending will be as service subscription instead of as product licence".

As the head of a company that has always specialised in SaaS, it has been intriguing but not unforeseeable to see its growth. It is the future for vertical sectors such as hospitality, and yet many businesses still operate IT-led, chunky, server-based locally installed systems that are stitched together and simply don't match the requirements of their business. Many companies still insist on managing basic functions such as payroll, account preparation or supplier price catalogues in-house at a significant cost and headache. In this time more than any other, they should be making life simple for themselves by concentrating on making the margin and getting the offer right. IT teams and managers should be managing expert third parties through SLAs (service-level agreements) not empire building.

SaaS provides a safety valve for businesses as it ensures the provider must deliver and keep on delivering. If it doesn't provide the right level of service or the system fails to meet the specified requirements, the client does not pay or at a minimum does not renew its contract.

There is no short-change option, the provider has to deliver on its promises because, if it doesn't, the model simply cannot be sustained – a rare measure of certainty in these uncertain times.

I firmly believe that the use of the right systems and delivery will play a key role in helping our industry emerge the other side of the current turmoil and I am convinced that we will be left with businesses that are more efficiently run and better placed to capitalise on the opportunities of the future.

Ben Hood is managing director of Fourth Hospitality. Visit www.fourthhospitality.com