



THE ESSENTIAL GUIDE TO

AP Automation for Restaurant Accountants





Executive Summary

It's time to rethink your relationship (or lack thereof) with restaurants. There is real money to be made and business growth to achieve by taking on restaurant clients and/or optimizing your relationship with them.

Accountants and financial advisors have grown more important than ever for restaurant operators coming out of the uncertainty and hardships of 2020.

Keep your foot on the gas and capitalize on these emboldened relationships by adding more value to your client interactions. It's no longer enough to simply serve monthly PnL statements and help with taxes.

Now is the time to invest in systems that help you give weekly performance reports, daily sales numbers, and so much more. And the beauty of these systems is that their automations allow you to deliver exponentially more value without much if any increased labor on your end.

Restaurant AP automation is the best example of such a system.

You know how time-consuming, inefficient, and highly vulnerable to error the AP process is in general. Imagine it for a restaurant group operating multiple locations....And imagine the cost savings and operational value you can provide on top of your traditional services by automating AP for your restaurant clients...

\$10.08 Cost to process a single invoice

8.3 days Time to process a single invoice

Common Challenges for the Analog Restaurant AP Process:

- Paper invoices subject to loss or damage
- Paper invoices expensive to transport, store, and access
- Time-consuming for in-store employees to manage
- Lack of streamlined approval workflows
- Lack of visibility into line-item details, like units of measurement and price fluctuations
- Lack of visibility into invoice and payment data
- Difficult to track vendor credits/returns
- Handwritten adjustments on invoices
- Reconciling vendor statements against invoices



1. The State of ePayables 2019: Driving Value in the Age of Intelligence, Ardent Partners 2019 - FULL REPORT



Executive Summary (cont.)

The restaurant AP process is often disorganized and disjointed. There's numerous touchpoints all divided across kitchen staff, management, ownership, and outsourced accountants. This not only adds to the cost of AP processes but also increases the likelihood of overlooking billing and data entry errors.

An analysis of 11,000 restaurant invoices found at least one overcharge 35% of the time² — average across all industries is 23%.

Additionally, the cost of key ingredients, from meat to fish to vegetables, can vary widely day-to-day depending on market prices, availability, or seasonality. This makes it extremely difficult to audit invoices for vendor inaccuracies, let alone closely control your COGS.

AP automation does all of this. And xtraCHEF is AP automation software that's specifically built to satisfy the needs and nuances of the restaurant industry. Today's most savvy restaurant operators and their accountants are **saving time, minimizing costs, and getting unprecedented visibility into one of the most critical components of their profitability: food costs.**

Thanks to innovations in machine learning, the advent of mobile and cloud computing, and an influx of investment in hospitality technology, AP automation for restaurants is affordable, easy to implement, and here to stay.

Keep reading to learn how to save your time and your clients, increase your touchpoints and the value you provide at each interaction, and truly help improve margins, costs, and everything else financial and operational for restaurant clients.

In the following pages, we'll take a deep dive into AP automation for restaurants, provide detailed questionnaires for potential vendors, and offer checklists that'll give you peace of mind in finding the right partner.

Common Goals When Introducing AP Automation into Restaurants:

-  Eliminate paper and reduce manual tasks
-  Reduce invoice processing costs
-  Minimize manual entry mistakes
-  Improve financial reporting and analytics
-  Improve visibility and collaboration between finance and operations
-  Audit vendor agreements and negotiate pricing
-  Monitor ingredient-level price fluctuations
-  Improve procurement practices
-  Improve oversight of payment approvals
-  Improve access to invoices via cloud storage
-  Eliminate need to update pricing of line items
-  Eliminate coding



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AP Automation | Your Key to Do More With Less

AP automation streamlines the receipt, processing, and payment of invoices. It removes the need for manual, error-prone, paper-driven processes and brings accurate invoice capture and data analysis within reach.

xtraCHEF's AP automation and invoice management digitizes stacks of invoices in one batch upload. It also empowers back of house staff to simply take a photo of an invoice and be done with it.

Our system codes invoices with artificial intelligence and machine learning, identify exceptions, and easily sync accurate information into your accounting systems — with minimal need for human intervention. It all leads to a painless process where you and your restaurant clients can access invoices from anywhere, quickly reconcile vendor issues, and analyze data in real time.

Here's a breakdown of your new process with AP automation:

Digitize

Ditch the paper invoice management and all that comes with it. Digitize invoices on your end and empower clients to do the same. Easily catalog and make them accessible to any stakeholders in your or your clients organization, wherever they may be. With today's technology, digitizing invoices is easier than ever.

4 ways to digitize invoices:

- Snap a photo on a mobile device
- Scan a week's worth of invoices at once for a batch upload
- Send invoices via email for digitization
- Utilize electronic data interchange (EDI) to feed invoices directly from restaurant vendors

Automate

Save time by automating the otherwise monotonous GL coding process. Apply GL codes to an item once, and an AP automation system will recognize them accurately for future invoices. Say goodbye to manual tasks and client inaccuracies and hello to detailed data!

Pro Tip:

Easily review and flag irregular invoices for your clients to review. An automated system shows you how purchases are being coded and can actually alert you and your clients to any changes. For example, if a chef starts coding limes as a bar expense to cut food costs, you can pass along to management that there was a change to the assigned code.



Together, we can fix this!

Restaurant operators are not happy with their current accounting systems

Only **24%** of restaurant operators believe their current accounting systems are meeting their needs.³ Not exactly a vote of confidence. Here are their top frustrations:



Integrate

Easily deliver accurate, line-item, or GL-level data to your accounting system and any other restaurant management platforms you or clients might use. Such integration allow you to see and pass along COGS and other key metrics in real time, empowering operators and their staff to make data-driven decisions on the fly. Enable them to immediately know if plate costs have gotten too high so that they can adjust accordingly.

Pro Tip:

Choose an AP automation solution that offers an integration with the POS your clients are already using so you're not asking them to upend all operational processes at once. This will also help get COGS and other key data more quickly.

Analyze

Today's tech tools allow you to gather more data than ever before. AP automation solutions slice-and-dice your data, empowering you to help clients track, compare, and control food costs while closely monitoring ingredient price fluctuations.

Back of house metrics that AP automation analyzes include:

- Cost of goods sold (COGS)
- Fluctuations in ingredient prices
- Costs across locations
- Changes to item prices by vendor



How is machine learning applied to AP?

Machine learning harnesses computer programming to improve processes over time, especially when working on similar use cases. In a restaurant setting for AP, that means digitizing invoices through optical character recognition (OCR), extracting their line-item data, then entering that data into accounting systems. The best AP management systems pay close attention to units of measurement, pack sizes, and unit prices to ensure that data entered is accurate. Machine learning picks up on how specific invoices are coded, and can handle those processes faster and even more accurately over time.

What is OCR?

Optical character recognition (OCR) op-ti-cal char-ac-ter rec-og-ni-tion

Definition: an advanced technology that converts different types of documents, like PDF files, scanned paper documents, or images of text captured by a digital camera into editable, searchable data.



Reconcile

When exceptions are the rule, reconciliation is key. With products that spoil, spill, or are missing from orders, restaurant operators must be diligent about comparing invoices and invoice totals to find errors and omissions. Automation helps you help them to simplify that reconciliation process by making fast, accurate comparisons so the proper vendor credits are in place.

Hunting for errors

Though AP automation can dramatically reduce the number of errors, encourage clients to take the time to make sure all of the data is coded correctly to ensure accurate reporting. Root out errors during reconciliation to ensure the software is learning the correct way to code.

Document Management

AP automation makes paper processing obsolete. Once invoices are scanned, there's no need for anyone to store them in filing cabinets, cram them in a tiny back office, or have them shipped to you from your clients.

Shred the paper, gain efficiency

Advantages to digital document management include:

- Ability to access invoices from anywhere with any internet-enabled device
- Integration with third-party systems, like accounting software
- Transforming a non-searchable image of a document into a search-supported OCR document that's far more useful

Top Causes of Invoice Exceptions¹



What AP Automation Isn't

Beware! Some solutions are attempting to pass off as AP automation, even though they're incomplete and ineffective. How can you ensure that you're investing in the right AP automation tool for your clients? Look out for these red flags.





AP Automation Isn't:



Crowdsourced labor

Some systems utilize on-demand staffing platforms in order to automate invoices. But crowdsourced labor can pose a huge security risk for your business and your restaurant clients. You have no insight into who is actually touching the data, what their training is, or if they're working with your competition. Plus, if you wind up automating more invoices than you expected, there's no guarantee that the crowdsourced labor will be able to meet the increased demand.

Make sure to vet potential solutions to understand who is going to see and touch financial data and the exact steps for processing that information. Best-in-class tools hire dedicated, in-house teams that are specifically trained to automate invoices to guarantee the best possible output.



Hosting on Dropbox or Google Drive

Saving images of invoices to Dropbox or Google Drive doesn't actually automate anything. In many cases, the invoices will still need to be downloaded, printed, manually coded, then keyed into your accounting system.



Slow turnaround times

A worthy AP automation system needs to code invoices fast so you can empower clients to make data-driven decisions in real time. The restaurant industry standard is less than 24 hours.

The spreadsheet struggle

Many restaurants attempt to use digital spreadsheets like Microsoft Excel or Google Sheets to manage back office. You've seen this, right?

Well, it's probably more prevalent than you think. Hospitality Technology's 2019 Restaurant Technology Study reveals that 60% of restaurant operators are using Excel as the primary system for core financial operations.

"Instead of using an automated solution, Excel tends to make accounting manual and inefficient as it was not built to handle the complexities inherent in the restaurant business landscape," according to the study.



AP Automation Also Isn't:



Using multiple tools

Stringing together Excel spreadsheets, accounting systems, and other tech tools won't deliver the same results that a real AP automation system will. More than half of all restaurant operators use three or more vendor systems to run their back office operations, and approximately a quarter have five or more vendors.³ Does that sound efficient? With the right systems, you could step in as their one-stop-shop.



Lack of detail

Broad, high-level GL codes that don't go into enough detail won't empower your clients to make actionable, data-driven decisions day-to-day and week-to-week, which is what they need..



A restaurant-specific accounting system

A digital accounting system that's tailored to restaurants could be great, but it's not AP automation. Even with restaurant-specific accounting systems, you'll still have to coordinate with clients to manually enter and analyze data for key insights



Vendor access to accounting systems

Giving vendors access to the AP processes doesn't mean they'll be able or willing to help you resolve exceptions, credits, and overcharges. Plus, you could be exposing sensitive, private data to people outside your company or your clients'— which could lead to a data breach.

Top frustrations with Excel:



Is AP Automation Right for Your Operation?

AP automation gives you a significant edge over traditional monthly PnL bookkeeping from a value perspective. And on top of that, the cost savings and efficiencies are enormous.

Ardent Partners found that top-performing AP teams are paying nearly six times less to process invoices, while doing it three times faster. They've found ways to push invoice exception rates down by 57% — all while having 65% of their invoices processed without any human interaction.



Best-in-Class AP Teams vs. All Others¹

	Best in Class	All Others
Cost to process a single invoice	\$2.18	\$12.60
Days to process a single invoice	2.9	10.8
Invoice exception rate	10%	23%
Percentage of invoices processed without human interaction	65%	19%
Percentage of suppliers that submit invoices electronically	49%	16%

"There's a million and one things to do when you run a restaurant. Not having to spend several hours a week managing paperwork is a game-changer and allows me to focus on the other million things."

– **Brian Kelly,**
CEO of Kobeyaki



How to Choose the Right AP Automation Tool

Ready to find the perfect tool for your business?
Use this checklist to vet the capabilities of an AP management solution.





General

- Quick turnaround times (24 hours or less)
- Integrates with top POS systems
- Easy access to invoices anywhere, at any time
- Makes budgeting and forecasting easy with dashboards and charts



Invoice Capture

- Supports invoice upload through photo submission
- Supports batch upload of invoices
- Supports EDI from vendors
- Ability to track exceptions and one-off purchases



Coding

- Coding requires little human interaction
- Track detailed GL codes
- Considers units of measurement
- Coding is far more accurate



Input

- Eliminates need for routine manual data entry
- Protects valuable data by not exposing it to high turnover employees



Payment

- Supports electronic payment processing
- Gives key stakeholders visibility into outgoing payments



Reconciliations

- Easier to find vendor statements
- Offers visualized analysis through dashboards and charts
- Simplifies visibility into vendor credits
- Helps you identify fraud by tracking vendor exceptions
- Supports vendor negotiations



Document Management

- Allows you to stop storing paper documents completely

4 Other Questions to Ask a Potential Vendor

1. How can your solution be personalized to fit the specific needs of each of my restaurant clients?
2. How quickly will you fix errors or handle other problems?
3. Given the invoice volume of my restaurant clients, how does this affect pricing? Is your pricing feature-and-functionality based?
4. Can you get images in and out of the system easily in the event of an audit or other issue?



How to Measure Success

Once you have implemented AP automation into your accounting process, use this checklist to ensure you and your clients have found the right solution that maximizes your data-driven decision making and contributes to ongoing success.



You're saving time for you and your clients

Invoices are being approved faster

Invoice data is coded and entered into your system within 24 hours

Chefs and managers can focus on their core tasks

Data analysis has been simplified from drafting spreadsheet reports to exploring charts and dashboards



You're innovating...

Analyzing COGS to eliminate menu items that are low on margin

Utilizing data to create new, profitable menu items

Reducing the amount of sensitive data exposure

Achieved better understanding of how fluctuating prices impact clients' business over time

Accounting, operations, kitchen staff, and management teams are aligned on business goals and objectives

Determining which vendors are trustworthy and properly and promptly rectifying exceptions



You're saving money...

Analyzing and passign along real-time data is part of your everyday workflow

Errors from manual coding and data entry have been eliminated

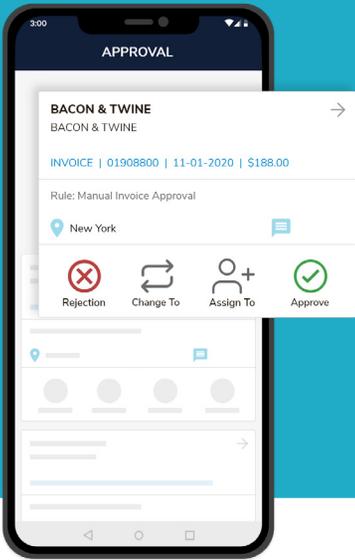
Errors from vendors are easily flagged and remedied

Saving money on shipping invoices and conducting payments via mail

Freed from paying for paper invoice storage

Exceptions are tracked and fixed quickly

Empower operators to make better deals with vendors



Using xtraCHEF for AP Automation

Contact
xtrachef.com
info@xtrachef.com

xtraCHEF helps accountants modernize the complex AP automation process for restaurant clients. Combining machine learning and optical character recognition, xtraCHEF saves time and money, allows you to build lasting relationships as a true restaurant partner, and empowers operators to make data-driven decisions with ease.



Easy digitization

Uploading invoices is as easy as snapping and submitting a photo. If you're running a backlog, xtraCHEF also supports batch uploads and scans.



Finally, you can go paperless.

Once you digitize invoices, ditch the paper for good. No more illegible notes in the margins; no more physical storage payments.



Accuracy

Digitizing invoices reduces the human touch in your AP processes, keeping your data much more accurate than it would through manual entry. xtraCHEF offers unparalleled accuracy through our best-in-class technology.



Security you can trust

xtraCHEF has a dedicated team for invoice automation, trained to have an eye on the details that matter most. We also support permissions to prevent specific employees from seeing or changing sensitive data, and allow others to review and approve exceptions.



Coding made easy with AI

Our machine learning technology codes invoices so you don't have to! Code invoices once, and xtraCHEF's AI will continue to code from there.



Search in a snap

No more sorting through stained paper to find the information you need. xtraCHEF makes your invoices searchable with OCR.



Make data-driven decisions

With automatically generated charts and graphs, restaurant operators can visualize their data in a variety of ways and make strategic decisions that save money and drive revenue.