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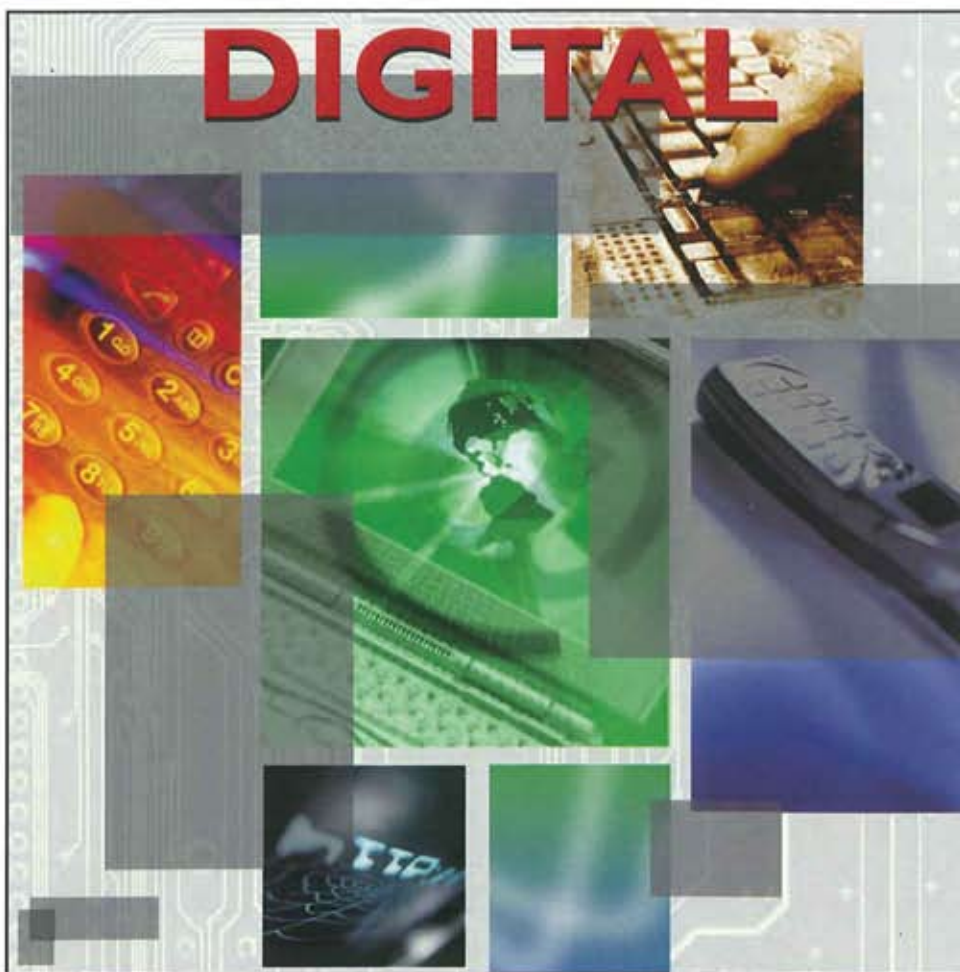


Association of Kentucky Fried Chicken Franchisees, Inc.

# AKFCF

## QUARTERLY

### ALL THINGS



In the restaurant business, the newest digital technology can speed operations, improve customer service, make record-keeping more accurate and make managing the entire operation easier. Most important, digital technology can help drive sales.

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Change is happening faster, it seems, than we can keep up with. Technology is advancing so rapidly that devices often are considered obsolete (by early adopters, anyway) even as they hit the marketplace. For business owners, keeping pace with technology can be hectic, frustrating and expensive. In the long run, it is necessary to keep up with the competition and worth the investment to enhance the customer experience.

In the restaurant business, the newest digital technology can speed operations, improve customer service, make record keeping more accurate and make managing the entire operation easier. Most important, digital technology can help drive sales.

Digital menuboards offer bright, sharp images and eye-catching graphics. In addition, their flexibility allows menu items and prices to be changed remotely at will. Digital headsets are lighter-weight and offer improved sound clarity over previous systems, speeding up the ordering process and making it more accurate. POS systems that employ digital technology can integrate all aspects of the restaurant operation together.

The newest digital surveillance systems offer crisp, clear video that may be viewed remotely in real-time. Footage can be archived or even viewed by a third party that can notify busy operators of any problems.

In addition, electronic data collection remains a major focus for the UFFC and KFCC. Looming federal legislation prompted a joint effort to improve the tracking and tracing capability of food products all the way through the supply chain.

In these tough economic times, many restaurant operators may put off investing in the newest technological products. However, as their existing technology ages, upgrading to the most advanced products may be the best choice. Not doing so may create a gap with the competition, and your customers, that could be difficult to bridge.

## POS Systems

DIGITAL TECHNOLOGY IS expanding to POS systems. The WAND Digital Restaurant by Minnesota-based WAND Corporation is composed of two parts: WAND NextGen and WANDisplay. The Digital Restaurant represents the complete integration of all microprocessor-based technologies in the quick-service restaurant environment, connecting and supporting the store from the front to the back under one clear, comprehensive provider. Connected through the Internet, this singular application is able to support any QSR.

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WAND NextGen is a panoramic concept that encompasses Point Of Sale, the Kitchen Video System (KVS), and the Manager's Work Station (MWS, or Back Office computer). At the forefront of WAND NextGen is the NextGen POS system, acting as the workhorse for handling 100 percent of a restaurant's transactions.

This integration is made possible through WAND Enterprise Manager, which connects WAND NextGen POS on a selective permissions basis to management ranging from the store manager to the CEO. The Web-based, Enterprise Manager is accessible for POS updates and other duties from anywhere in the world by an authorized user. The system allows for ready communication for pushing and polling data and instructions to the POS, as well as the advanced WAND KVS.

The extensive data sharing and compiling options allow for greater levels of analytics, manipulation and control than in a traditional restaurant management system. Compatible with more than 24 of the most popular accounting programs, the NextGen solution is ready to interface with much of the pre-existing software out there, thereby saving conscientious quick service operations money. Broad data analysis powers are available, with the ability to do side-by-side comparisons of any and all the stores in an organization and expediently derive a clear snapshot of a business's health, or take a look back at months or years' worth of sales, labor, menu mix, food cost, and other information.

Having a single technology provider whose programs can interface with any software system is advantageous; operators can upgrade their systems without having to replace every component.

"Our programs contain written coding in an open architecture that can interface with any software system," says Les Kolls, owner of SabreTooth Technologies LLC, a software systems and support company based in North Carolina. "That's pretty important. We prefer our systems meld into processes franchisees already have in place."

Most of SabreTooth's reputation was built on their prowess as a back office software provider. The QS Enterprise software combines an integrated back-office solution for the restaurant with an above-store tool for the central home office. Included

are Revenue, Labor, Inventory and Business Intelligence Modules with interfaces to all major POS, accounting, payroll, timer and food supplier providers.

The company is working on another technology that restaurant operators can add to their businesses. It has purchased and is now developing a POS program that runs hardware independently on multiple POS platforms. Its Internet-based ASP Model shifts the software down to the register and maintains it.

"Our clients trust us to develop a nice system for them," Kolls says. "We've been very successful."

Stingray, the modular keystation from Panasonic, lowers total cost of ownership by allowing the user to virtually eliminate the time and expense of service calls and service contract fees, according to Sam Miyakodoni, group manager at Panasonic System Solutions Company. "Stingray's modular design allows for do-it-yourself, on-site troubleshooting to minimize downtime, thanks to user-removable and replaceable components, so no technician or service contract is required," he says. "The user needs only to pay for parts they order or stock."

Odysii's Match N' Go Restaurant solution offers a chance to upsell as the customer is ordering. A customer-facing LCD screen prompts upgrades or upsells by displaying targeted items depending on which items the customer has already ordered. For example, just before the customer completes their order, the Match N' Go system will display a graphic and

The QS Enterprise software combines an integrated back-office solution for the restaurant with an above-store tool for the central home office.

price of an additional item, tempting the customer to add it before they complete their order.

The Odysii Match N' Go is an optional add-on to the Documentor POS system. It can increase sales, enhance customer satisfaction and give the restaurant a sleek, modern feel. Documentor, a Georgia-based provider of POS systems for QSRs, is installed in more than 600 KFC sites, according to company president Charlie Houston. They began serving KFC restaurants in 1977.

Through KFC Technology Solutions, KFCC has its own back-of-house and POS system options for franchisees. Together, it is

called MERIT/Compris. “In the last year-and-a-half we are taking the corporate system and trying to make it friendlier for franchisees,” says Tom Romano, KFCC chief information officer.

Upgrading technology will continue to be important for franchisees. Romano believes that we are at the advent of consumer-centric technology. Plans to engage customers include kiosks, online ordering, mobile payment and loyalty programs. “It is very important for franchisees to get connected with broadband to every restaurant,” Romano says. Team KFC has some useful information for RGM’s and it is role-based.”

Romano says the IT team contains a mix of technologists and former KFC operators. In addition, says Romano, some RGM’s and franchisees also are working with the team. About two-and-a-half years ago, teams were put directly into each brand and interface directly with franchisees. “We’re figuring out the best way to develop tool-sets to make our restaurants easier to operate,” he says. “This has been a huge win for each brand.”

About 30 percent of franchises are running the MERIT/Compris system and the goal is about 75 percent, according to Patrick Coty of KFCC IT Franchise Services. “We want to build a system that serves our franchisees needs,” Coty says. “We’re trying to find the right mix of vendors and the best hardware and software programs.”

### Digital Menuboard

DIGITAL MENUBOARDS AND other signage is a continuing trend. These flat panel monitors can be hooked into a content network through a DSL line. Liquid crystal displays (LCD) offer sharp, clear images and graphics. Unlike manual boards, digital ones can be changed multiple times throughout the day and changes may be made from a remote location. Digital menu boards also take up less space because the same panels can be reused throughout the day.

Depending on the size of the unit and how many displays necessary, the cost could range from \$15,000 to considerably more for a complete system inside and outside in the drive-thru lanes. A less expensive solution is integrating digital systems with existing static menuboard to form hybrids.



Panasonic

A customer-facing LCD screen prompts upgrades or upsells by displaying targeted items depending on which items the customer has already ordered.

About two years ago, Wireless Ronin Technologies wanted to solve the problem of flexibility for KFC franchisees in menuboard management. Because of the variety of menu items available for KFC customers, keeping the menuboard up-to-date presents a real challenge for operators.

“Trying to maintain these menuboard can be a magnetic nightmare for management,” says Scott Koller, of Minneapolis-based Wireless Ronin Technologies. In addition to printing and shipping boards as prices change, franchisees must then physically take them down, make the changes, and put them back up. Further, the combination of lunch and dinner menus on the same board can be confusing for some customers.

Wireless Ronin has installed their digital menuboard in about 120 KFC restaurants in Louisville, Jacksonville, Boston, Oklahoma City and Las Vegas. With bright colors and graphics, the eye-catching menuboard are attractive to customers and easier to manage. The menu can easily be changed from lunch to dinner and prices and items can be changed from a Web site.

“It gives people what they are looking for,” Koller says, “and can generate an improvement in day part sales.”

In addition to the traditional menuboard, a digital preview board may be located near the front counter. It can advertise menu items to upsell customers or run advertisements for customers to view while waiting in line. A digital menuboard can integrate with the POS and bring prices direct to the menuboard for automatic pricing updates.

According to Koller, another benefit for digital signage is for implementation of calorie and nutritional information, as required by the Labeling Education and Nutrition Act of 2009 (or the LEAN Act of 2009). This bill, H.R. 1398, will amend the Food, Drug and Cosmetic Act with respect to nutrition labeling of food offered for sale in foodservice establishments. Under the bill, restaurants would be required to post calorie, trans fat and other nutritional information on the menuboard. With a digital menuboard, these changes or additions can be easily implemented.

“The future is in expanding digital technology like this,” Koller says. “KFC is on the cutting edge and ahead of most QSR’s with digital menuboard.”

WANDisplay is the digital customer engagement solution from WAND Corporation for indoor and outdoor Point Of Purchase and Digital Menu Boards. Though not yet an approved KFC solution, WANDisplay is capable of handling 100 percent of virtually any store’s signage requirements. Driven through Enterprise Man-

ager, WANDisplay replaces printed promotional materials with always-up-to-date, crisp, high-definition content.

WAND's outdoor triple-panel Digital Menu Board is composed of three, 46-inch screens that are sunlight readable. Each one is fully dynamic, as there is no printed signage that needs changing. Each screen is individually housed in a climate-controlled enclosure to ensure maximum efficiency and reliability. These units are equally functional on a 125° F sunny Arizona day as a -20° F night in North Dakota, and designed to run for years. A single-panel, 46-inch pre-sale board is also available, as well as a 19-inch exterior Order Confirmation Display (OCD).

A major benefit of the WAND Digital Restaurant is that it allows digital content to be run in conjunction with the Point Of Sale. Specifically, if a percentage of a particular sales item increases, the digital content on the WANDisplay boards can automatically modify itself to promote these increasingly popular items. To push out aging inventory, a manager or corporate officer with appropriate access can reconfigure the Digital Menu Boards to sell selected inventory faster, or could program the solution to automatically do so.

### **Headsets**

HEADSET TECHNOLOGY also is going digital. Digital wireless technology provides clearer and crisper communication from

both the outside speaker post to the order window and within the restaurant. New equipment is lighter in weight, more durable and has longer battery life than its predecessors.

Analog systems have been the standard since 1982 and are still in use at many restaurants. A digital system offers a myriad of advantages. To the restaurant operator and their customers, the most important is sound clarity. With the ability to filter out background noise, both customers and crew can hear each other better. Multi-channel capability means that the drive-thru employees can converse with the customer, and each other, at the same time, while keeping the customer from hearing the internal conversation.

HME Electronics first developed digital background noise-canceling technology in with its ClearSound analog system in 1997. Today, HME is currently on its fifth generation of noise cancellation capability, the Wireless IQ Digital system. It offers enhanced noise-cancellation, directional microphones, adjusts speaker volume based on ambient noise, and allows multi-channel communication with cleaner, clearer sound. The Odyssey IQ headset weighs only 4.75 ounces. The listen-only headset allows kitchen staff to hear as orders are being taken. The Wireless IQ Belt-Pac can fit in the palm of a hand.

According to HME, Wireless IQ sounds about 26-percent clearer than the best-sounding analog communication systems

currently on the QSR market. It also reduces the amount of distortion by 50 percent or more. "At the end of the day, it's not about technology. It's about customer service and speed," said Daren Haas, VP of marketing for HME. "Digital provides the edge that restaurants need to push service to new levels."

Installing a new speaker and headset system will cost about \$6,000 and will be functional for 10-13 years, says Haas. He estimates the system can pay for itself in two to six months by increasing speed in the drive-thru.

Filtering out background noise is the hallmark of the Quail Digital system, which has been the principal provider of Digital HeadSet Systems in Europe for more than six years. After the Federal Communications Commission (FCC) approved the use of the 1.9GHz band for communications systems in the U.S., Quail began offering their Digitally Enhanced Cordless Telecommunication (DECT) systems in the U.S. This band offers clearer communication than the 2.4GHz band currently in use by many headset providers.

"There is a tremendous amount of interest in this," says Tim Herrmann, director of sales at Quail Digital. "Our system is comfortable to wear, durable and cheaper to maintain."

According to Herrmann, the 1.9GHz band has no interference from other systems or frequencies as all transmissions use a single unique operating protocol when communicating between belt packs. The 2.4GHz is susceptible to interference because a wide range of other products such as cell phone equipment, cordless phones to microwave ovens also use the band.

## Plans to engage customers include kiosks, online ordering, mobile payment and loyalty programs.

The cost is about \$4,650 installed for a four head set system. Customers can buy direct from Quail and they will install and service it. This, says Herrmann, can save 20 to 30 percent off prices because the customer doesn't have to go through a distributor. Quail now has distributors in all 50 states and Canada.

Panasonic's Attune digital headset has Advanced Digital Noise Reduction to virtually eliminate ambient noise from drive-thru communications – increasing speed of service, order accuracy and customer satisfaction, according to Sam Miyakodani, group manager at Panasonic System Solutions Company. In addition, Attune technology delivers interference-free communications with no FCC fee required, for even more savings. Attune's battery design further improves ROI, operating with both the All-in-One and belt pack models with battery life up to 25 hours.

### Video Surveillance

TODAY'S DIGITAL SURVEILLANCE SYSTEMS are far superior to previous technologies. They can help prevent

break-ins and document questionable transactions at the POS. A surveillance system also can provide alarms and motion detection capability. Digital systems can film the interior and exterior of a restaurant, archiving the video footage for later review. Video surveillance can be a deterrent to employees and used as evidence against outsiders who do harm to a restaurant or its employees.

"We've been selling a lot of our Big Dog surveillance systems," says Michelle Greenwood, creative director at R.F. Technologies, an Illinois-based provider of drive-through technology. "There has been a large interest from franchise owners."

The Big Dog 1000 model is the latest in surveillance technology and offers features that are customized for QSRs. It includes POS register integration with text insertion overlay of register data, motion detection, alarms and notifications, remote access, video archiving and drive-thru lane and window monitoring.

According to Greenwood, many vendors of surveillance equipment try to convince customers to lease instead of buy to save on the initial outlay of money. However, in the long run this can be more expensive. Besides the monthly payment, many companies provide software licenses that expire every six months or so. Some even charge for tech support. In the end, it can cost two-and-a-half times as much to lease than buy outright.

"We provide 24-hour tech support and provide all software upgrades at no additional charge," says Greenwood.

Greenwood says the perception of the cost of surveillance systems is that it is very high, but that isn't necessarily true. Costs can be as little as \$650 for a basic system without all the bells and whistles of the more expensive systems. Other extensive systems with remote access capability, multiple cameras and integration with POS systems can run to \$6,000 and up for IP camera systems.

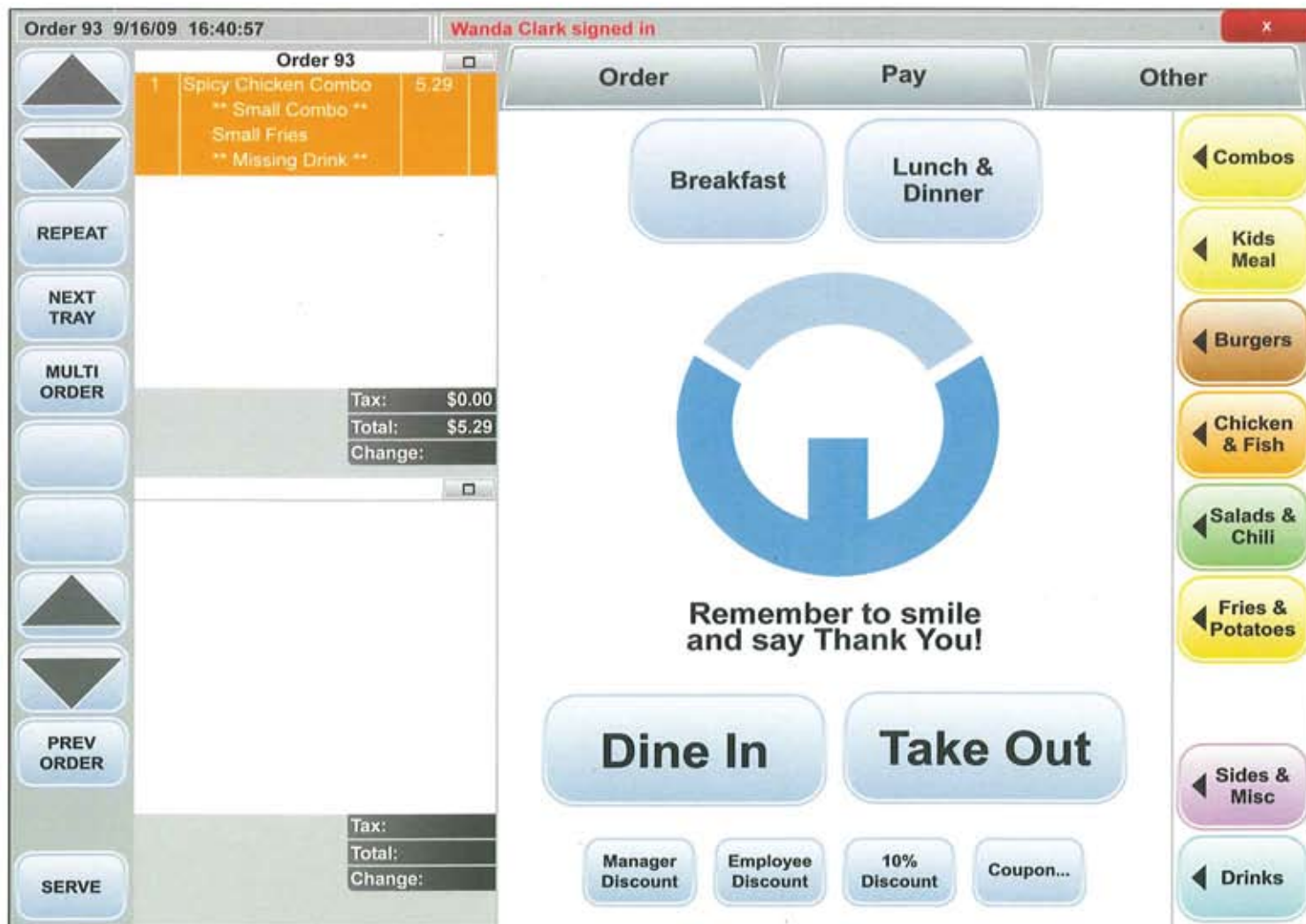
According to Greenwood, R.F. Technologies has a number of customer testimonials claiming that they recovered their surveillance system costs in as little as six months.

"Stupid stuff happens all the time," she says, "and when it happens you want to have your eye in the sky."

Proper utilization of surveillance systems are key to its success, according to Roger Self, of Southeastern Loss Management, a North Carolina company that specializes in investigative services for employers. "The POS integrated surveillance systems are great if companies utilize it properly," says Self. "We are finding some franchisees don't use the information it provides."

According to Self, franchisees make a number of strategic mistakes after installing surveillance systems. First, they often overspend, paying from \$5,000 to 10,000 on systems with multiple cameras, remote access and long-term archive capability. The reality is that most franchisees are simply too busy to review the information these expensive systems provide.

Further, many operators are anxious to make use of their new system, but the novelty soon wears off and quickly things get back to where they were before the system was installed. After the initial impact of a newly installed surveillance system, clever or tech-savvy employees may find a way to circumvent it.



Wand NextGen

“Operators think all their problems will go away because of a surveillance system,” he says, “but they don’t take advantage of the system. It can give them a false sense of security.”

To compound the problem, franchisees sometimes allow managers or other employees to have access to the surveillance system, compromising its security and effectiveness. Further, any system that is not digital with a hard drive is a waste of time, says Self. He also cautions about installing systems that record audio as this could be illegal in some states.

To be most effective, these systems should be installed in the office and at every POS station. Self adds that store safes equipped with a history of entry recorder are more effective than a surveillance video. Unfortunately, says Self, no surveillance system will stop everyone from stealing.

Busy restaurant operators can let someone else monitor their surveillance systems for them. DTT Surveillance, a Los Angeles-based supplier of digital surveillance products for the restaurant industry, can review surveillance information on a weekly or daily basis for a monthly fee. Information gathered is immediately sent to the operator, along with video clips documenting the behavior in question. These include transaction in the POS system, temperature variances in equipment, indoor and outdoor video images and other information. The information also can be sent in real-time to a handheld device.

“This is the third generation of video surveillance,” says Sam Naficy, president and CEO of DTT. “Video verification with ancillary data points has become the frontier for this technology.”

Cost can range from \$79 to \$149 per month for this service, not including equipment, which can be bought or rented. All videos are watermarked to prevent tampering and are court admissible.

“Everything comes to us and we review it for you,” Naficy says.

### Data Collection: Tracking & Tracing

IMPROVING ELECTRONIC data collection will be increasingly important for food safety and inventory traceability. In fact, it may soon be mandated by law. To that end, the UFPC and the technology committee are working to make sure they stay ahead of the curve.

The UFPC began investigating improving the traceability of food in 2005 and assembled a team to implement a plan. This soon congealed around the idea of gathering data electronically.

“There is a lot of interest in food safety and traceability,” says Dale Black, chairman of the KFC National Purchasing Co-op, Inc. “There is legislation in this area. We want to be proactive rather than reactive.”

Black is referring to the Food Safety Enhancement Act of 2009, or H.R.2749, which passed the House of Representatives on July 30, 2009. The measure is designed to strengthen the country’s food safety system and respond to recent food poisoning outbreaks,