



the AP
Automation
Playbook for
Restaurants

From collecting invoices to managing
complex payment approval workflows,
we show you how it's done.

by Scott Youkilis

Owner/Chef, Hog & Rocks,
San Francisco

From 2005 to 2018, I was the chef and owner of Maverick, Hog & Rocks, and Hi Lo BBQ; all concept restaurants located in the heart of the Mission District in San Francisco.

Guests and critics loved our creative, Regional American cuisine which elevated comfort food and paired perfectly with affordable, boutique wines and craft cocktails. The staff was always friendly, knowledgeable, and attentive. Whether it was Mystery Night, New Years Eve, or any Tuesday night, locals and travelers flocked to our part of the Mission to revel in the come-in-anytime, neighborhood vibes.

There are so many stories from the years of running restaurants it would take weeks to tell them all. From celebrations to tragedies, we experienced a lifetime of events in a very short period. I miss all the amazing people I met throughout the journey and I'm grateful to everyone that contributed to our success.

One of my favorite memories goes back to a Saturday afternoon in 2015. I noticed a couple of guys at the bar with a laptop open; which was frowned upon by myself and patrons at the bar enjoying their weekend. However, one of the guys was Derek Dukes, the partner of the new restaurant across the street named Lazy Bear (formerly known as Hi Lo BBQ), so he got a pass. The aforementioned laptop owner introduced himself as Ram Jayaraman.

Given no other choice, I teased the two about doing work at my cocktail bar on a Saturday. They were "killing" the day-drinking vibe in my bar and I wanted to know what was "so important" for them to be working on a Saturday. Without hesitation, Ram began pitching his new project, Plate IQ.



Scott
Youkilis,
Owner &
Chef,
Hog &
Rocks.

Plate IQ's
Customer
000001

It was an accounts payable automation software that could digitally capture my restaurant's invoices, create a file to import to Quickbooks, pay bills online, manage the invoices digitally, AND monitor price changes.

"Wait, what?!" I exclaimed. I grabbed a stool, ordered us a round of drinks at my bar, and chatted about restaurants for hours with Ram and Derek.

Within days of establishing a new workflow, Plate IQ was delivering as advertised. Gone were the days of manually entering invoices and printing checks.

In my thirteen years of running restaurants, no other solution has made such a positive impact on my restaurants.

It's my belief that AP automation is a must-have for any restaurant operator who wants to run a tight operation. Not many folks know how to do it, so I wrote this playbook to help you get started. This guide is for restaurateurs who are looking for ways to make their restaurant and lives better just like I did.

Summary

Why Automate AP?

Save Time

AP Automation cuts down the time needed to manually key in invoices and pay them.

Save Costs

Automation saves on the time-cost of a bookkeeper. By paying vendors electronically, you'll save on check postage.

Eliminate Errors

Keying in invoices manually creates lots of errors that need time to fix. Automating invoice capture helps keep the data accurate and cut errors.

Pay Bills On Time, Every Time

Using a Bill Pay system allows your accountant to schedule bill payments remotely and ahead of time.

Search And Manage Invoices

Digitally capturing invoices in your AP system makes them easily searchable for analysis, follow-ups, and reconciliation.

Reconcile Your Books Faster

Reducing manual data entry ensures data integrity and makes follow-ups on incorrect invoices, or missed deliveries easier.



How to Automate your AP



Start Collecting Invoices

Set up a “zero-touch” AP system to automatically ingest invoices digitally via scanning, photo capture, or through WebEDI. These methods minimize manual data entry and let you process invoices as they come in or daily.

Extract Detailed Invoice Data

Extract data down to the line item from the invoice and insert into your AP platform using AI-powered Optical Character Recognition (OCR).

Map Invoice Items To GL Codes Automatically

Map the extracted invoice data to the correct GL-codes in your Chart of Accounts. Mapping line items on the invoice should only be required once. A good AP automation system learns from your mappings so you don't have to map twice.

Set Up Approval Policies And Workflows

As companies grow, it becomes difficult to approve invoices at each restaurant. Set up automated invoice approval workflows that leverage line item data to determine if a payment can automatically approved based on pre-set rules.

Sync With Your Existing Financial And Inventory Software Platform

Once invoices are processed digitally, sync the data to your accounting and inventory software. Best-in-class AP platforms can easily convert invoice line items into inventory records to minimize manual inventory tracking, and reconcile them to your accounting platform.

Search And Manage Your Invoices Digitally

Automating your AP ensures data integrity and makes follow ups with vendors on incorrect invoices, or missed deliveries easier.

Reconcile Quickly

Reconciling invoices early and rapidly will reduce errors and catch missing invoices before leaving your cash position in dire straits.

Summary

Get More Value Out Of Your AP System

Summary

Earn Cashback And Capture Early Payment Discounts

Use Virtual Cards to pay vendors that generates cash back on payments.

Set up bill payments ahead of time so they're paid early and capture early payment discounts.

Track And Control The Cost Of Your Goods

Use price alerts to identify goods that fluctuate too much (creates an opportunity for contract pricing).

Compare prices across groups and locations to ensure that you're paying a consistent price for goods across your organization.

Use Employee Expense Cards Instead Of Petty Cash

Use pre-approved spend cards that are linked to your AP system so you can set up spend limits, approvals and tie in spend to your working cash flow.

Use expense cards to pay out tips digitally to your employees at the end of every shift.



What is AP Automation?





When managing vendors, bills, and the entire financial outlook of your restaurant, accounts payable automation can benefit your financial operations significantly. You can finally do away with banker boxes filled with invoices shoved in the corner of your storage space. Stop writing checks by hand and stuffing envelopes. No more tracking market price fluctuations in spreadsheets or by memory. Knowing your cost of goods at any moment and making real-time decisions on how to improve those costs enables you to steer your business better, especially in times of uncertainty.



Why AP Automation?

1

The restaurant industry has been utilizing technology to reduce labor costs, improve order accuracy, and speed up service using AI and robotics for more than a decade.

Tech companies like Plate IQ have improved the way we spend our time in the back office.

Many owners would agree that one of the biggest “time sucks” in operations is managing invoices and paying bills. Automating accounts payable has many benefits, but eliminating the tedious and time-consuming task of manually entering bills line-by-line is a real game-changer.

Plus, you will have access to financial reports on-the-fly before your COGS spiral out of control for any given time period.

Save time

Spend that limited time wisely as I did. Train your staff, keep up with food trends, or plan your next location. Your precious time is needed for important areas that technology can't solve.

2

The hourly cost for bookkeepers and accountants can get expensive when managing your accounts payable. Automating AP will reduce the cost of professional fees allowing you to invest in other parts of the business.

AP automation will also allow you to control spending and stay on top of Bill Pay

Combine those efforts into real savings and grab the discounts and rebates that many vendors offer by paying bills early or consolidate orders and receive volume discounts.

Without visibility into these areas, it's nearly impossible to improve your bottom line.

Additionally, using Bill Pay to pay vendors electronically cuts costs associated with manually processing check runs.

The costs of processing paper invoices are incredibly high with one estimate having it at around \$25 for a check run.



Save costs

At Hi Lo BBQ, artichokes nearly doubled in price one spring without warning. Inevitably, we missed the price hike and didn't notice the change until we ran our monthly food cost weeks later. If we had a system in place to track historical artichoke prices, it would have alerted us when the artichokes price skyrocketed we would have been able to change the dish price or remove it from the menu altogether.

3

Restaurants of all shapes and sizes receive goods on a daily basis creating a healthy stack of invoices. Manually entering every line and total into your financial software is susceptible to countless errors and the old “fat finger” culprit is the restaurateur’s worst enemy.

The first step in AP automation is completed by scanning invoices and using Optical Character Recognition which will be discussed in further detail in the Playbook.

The data extracted from the invoices is critical to your business when tracking your COGS and paying your bills on time.

Any errors caused by fat fingers or misreading an invoice can snowball into more problems than imagined.

Eliminate errors

Take control of the situation, let technology do the heavy lifting, and eliminate errors from manual data entry.



4

Many operators deal with the frustration of not knowing how prices fluctuate.

Without a digital record of their invoices, search and comparing prices becomes a challenge.

Did your fishmonger neglect to alert you of the lobster price change?

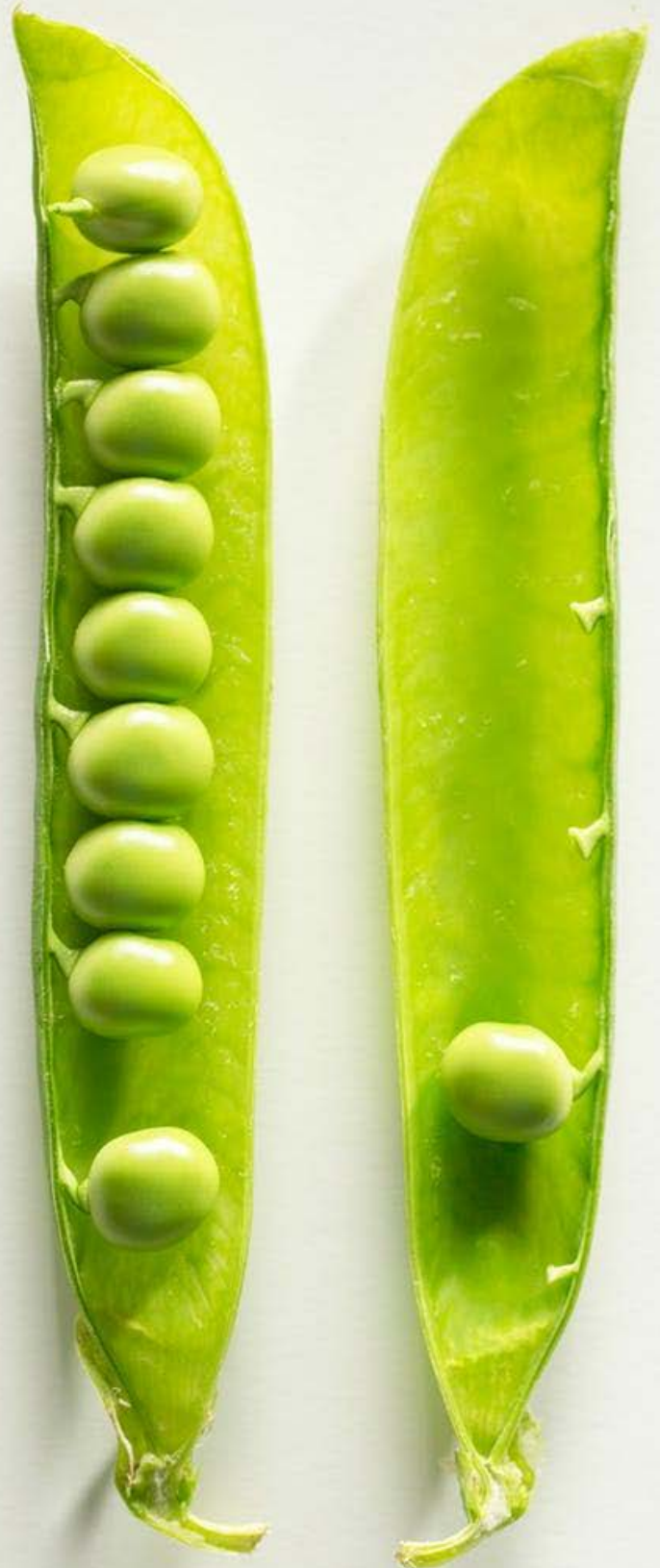
Manage invoices digitally

Get the data you need from AP automation to increase profitability today.

Perhaps they know you're manually tracking prices and they think you won't notice.

AP automation allows you to search, view, and manage invoices from anywhere.

With AP Automation you can look up past invoices, and set up price alerts and price comparisons of goods across locations.





5

Pay Bills on Time

Using AP automation software makes paying bills on time easier.

Tools like Bill Pay and Virtual Cards let you schedule direct payments to vendors without worrying about check delays.

Paying bills timely and accurately is critical for many reasons.

Are you trying to increase your credit limit as you plan to buy in higher volumes? Maybe you're just trying to improve business relations with your key vendors.

Using AP automation software makes paying bills even easier by letting you sort, filter and schedule payments by vendors, due dates and whichever way you like.

Using a Bill Pay system from within your AP allows your accountant to schedule payments remotely (so they never have to come into the office to perform a check run).

6

A day in the life of a busy restaurant could have ten different vendors deliver goods all at once.

Errors are bound to happen somewhere along the supply chain. From missed picks to backorders or misplaced invoices, stuff happens.

When using AP automation, mistakes may still happen, but reconciling them is quick and easy.

Missing an invoice? Email your vendor directly from the platform.

Are invoice totals on your statement not matching the actual invoices? Find an image in seconds and dispute the error with your vendor via email or phone.

When it's time to close the books for the month, automating your AP eliminates any worries, helping you focus on other parts of the business that need attention.

Close your books faster

Save time and money scanning invoices.

Track pricing and save even more money.

Pay bills electronically.

Stop making mistakes!



How to Automate Your AP



Start Collecting Invoices

Even the most inadequate AP management systems designate a place for invoices to be stored after delivery.

From invoices stabbed on a ticket spike, to rusty and broken clipboards, to file folders taped to the office wall, every restaurant has some way of collecting invoices.

While we don't suggest doing all of the methods mentioned, any method of collecting ALL invoices is a great place to start.

With a system in place for collecting invoices, your first step toward AP automation begins. Luckily there are a few ways to upload an invoice.

Methods of Invoice Capture



Electronic Data Interchange/ WebEDI

Many large vendors are able to send invoices as digital files directly to your computer system. This is called electronic data interchange (EDI). Ask if your vendors support EDI; it saves you from having to touch the invoice at all, minimizes errors that come with manual data entry and makes tasks like issuing credits for missed deliveries painless.

Another option is to use a Paperless Vendor Connection portal with your AP automation platform.

For more information about what EDI is, check out our blogpost:

<https://www.plateiq.com/blog/the-business-operators-introduction-to-edi>



EDI helps your vendors send invoices directly from their system into your AP platform

Many broadline vendors have online portals where you can log into your account, download, view, and pay invoices. An Automated Vendor or Paperless Integration means that you would be able to save your login credentials with your AP platform, which then uses those credentials to directly integrate with the vendor's portal, and retrieve the invoices for payment automatically.

Mobile Devices & Scanners

Need to upload an invoice on the fly? Best-in-class AP platforms have mobile apps that allow you to snap a photo of your invoice and upload it to your company's AP platform. This quick way of capturing invoice data is useful for last-minute uploads before weekly approvals. Another option is to take a picture of your invoice with your phone and email it to a repository email inbox that your AP provider has set up to receive and process invoices.

Many restaurants, bookkeepers, and expert AP automators scan their invoices with a commercial document scanner. Use a commercial scanner instead of a multi-purpose printer. Commercial scanners can process over 20 invoices a minute, while multipurpose printers are much slower.

How often should you scan?

Consistency is the name of the game when it comes to processing invoices. Many prefer to process on a weekly basis. Others insist that a daily cadence is best. My recommendation is to utilize the mobile app or scanner to capture and upload invoices as they arrive at your locations on a daily basis.

Build a system that requires your managers to review invoices and upload invoices daily. This ensures that they approve deliveries, items, pricing, and totals much earlier in the process.

Sharing the work of processing invoices keeps all managers involved and ties them to the financial success of the business.



Extract Detailed Invoice Data

In a perfect world, every invoice would look the same. Unfortunately, that utopian society doesn't exist, especially in foodservice distribution. A major culprit behind this is the plethora and diversity of enterprise resource planning systems on the market. All of them generate and present invoices differently.

Regardless of the system and the layout of the invoice, vendors include a multitude of data points on every invoice. Dates, invoice numbers, product groups, categories, sub-categories, SKU's, quantities, pack sizes, catch weights, units-of-measure (UOM), and sell price are found on almost every invoice. Making sure to capture all of this information is critical to an effective AP solution.

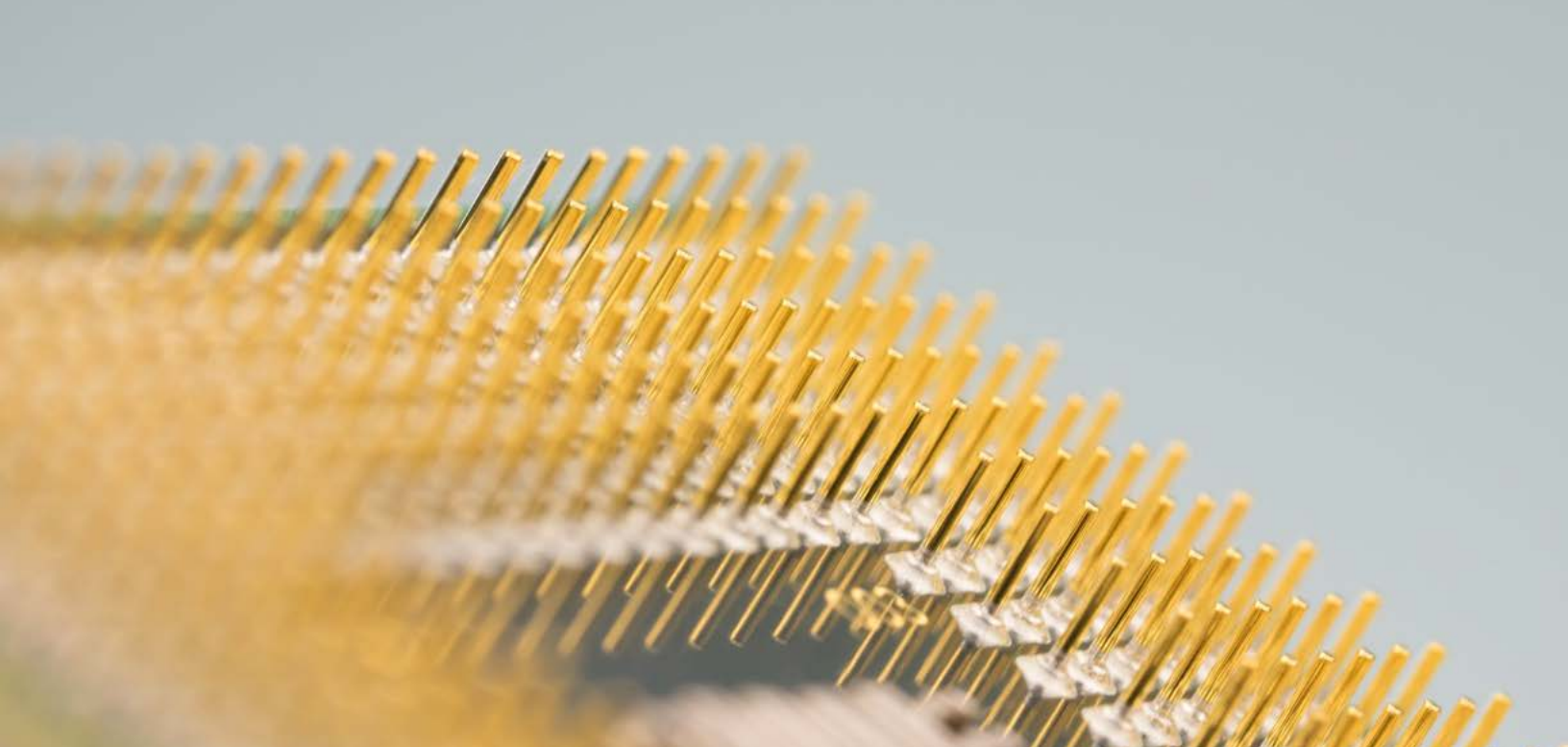




Optical Character Recognition

Extracting data from invoices is made possible by the widely used technology called Optical Character Recognition (OCR). This technology recognizes text inside images, such as documents or photos and converts it into machine-readable text data.

Best-in-class AP solutions should be able to handle and extract data from most invoices to create digitized, searchable invoice records. If you're interested in more technical details about how OCR works, check out our blog post ***Localization in Invoices***. You can access the blogpost here: www.platEQ.com/blog/localization-in-invoices



Map Invoice Items To GL Codes

After the data has been extracted from the invoice, it's time to start mapping to the categories in your Chart of Accounts. Mapping items on your invoice to the proper accounts should only be required once. A good AP automation system should be able to learn from your mapping and save that for future mappings so you don't have to map twice. This is where automating AP really starts cooking.

What Is A Chart Of Accounts?

The foundation for recording all the transactions is in the Chart of Accounts (COA). The COA will help you organize your accounts by giving them a name, short description, and unique codes, also known as General Ledger, or GL codes. And, the more granular you get, the easier it becomes to analyze. For example, labeling every invoice from food vendors, as "Food", doesn't tell you much about the monthly cost of milk. Naming an expense category "Food" with a sub-category "Dairy" is best practice.

Get Granular With Your GL Code Mappings

Automating your accounts payable will also allow you to get granular when mapping items. Many items are cross-utilized between departments and when manager bonuses are on the line, tracking every cost down to the penny is important. However, be careful to not get too granular as too many GL codes will be burdensome in the mapping stage while blurring the high level vision you need as an owner.

Chef Tales #2

Hog & Rocks sold thousands of oysters per month making it a leader in Food revenue. Accordingly, that meant we were spending more dollars on oysters than almost any other food item. Thus, we got even more granular on the COA and gave oysters it's own sub-category. Thus, we could easily compare our oyster cost to the entire food budget and manage it accordingly.



Set Up Approval Policies And Workflows



Running a small restaurant has advantages when it comes to purchasing and receiving. But, as companies scale and open more locations, it becomes difficult to monitor each buyer at each restaurant. This step is nearly impossible without automation.

Approval Workflow Framework

- 1.** Determine which vendors and items need to be monitored closely and then assign them to the correct department that oversees those purchases.
- 2.** Assign a staff member to be responsible for checking in all items delivered.
- 3.** Demand for credits on the spot. Drivers may neglect to give credits properly, so enforcing a record of credit will identify discrepancies.
- 4.** Prevent theft, overspending, and delivery errors by setting up approval policies.

Sync To Accounting Software

If you don't have financial system software, it's time to get more serious about your business. Do you just hand everything off to your accountant? How often do you meet with this person or company to review your books? If you're only watching your bank account go up and down, **you're doing your entire operation a disservice.**

Desktop computing software like QuickBooks is recommended for those who do their own bookkeeping. Plus, it's the cheapest way to get the software as it only requires a one-time purchase.

QuickBooks is an extremely powerful tool that helps manage your finances, provides insight on the value of your business, and it connects with your accountant's software during tax time. QuickBooks also offers a cloud version, QuickBooks Online (QBO).

As almost every industry has moved to cloud computing software and data storage, this is an even better option for those who have bookkeepers and accountants that work remotely.



Having visibility into your finances through a browser or on a mobile device is a huge advantage too.

No matter which software you choose, it is important that it integrates with your AP platform. Plate IQ integrates seamlessly with many accounting platforms (with near-instant syncing with QuickBooks).

Sync With Inventory

Whether you manage a large catalog of expensive wines and spirits or a high volume sandwich shop, beverage and food-specific tech companies have brought a wealth of efficiencies to the inventory management process.

And, not only has it improved the process, many restaurant groups have seen increases in margins within a couple of months of setting up a digital system.

A big challenge with using inventory management systems is creating and updating inventory records manually.

“Most operators receive margin wins using this approach because they can accurately track what’s coming in against what is being sold.”

Many operators end up spending hours per week manually reviewing invoices and shipping receipts to create inventory records.

However, by connecting your AP to your inventory system, you can automatically generate inventory records using invoice line items captured by your AP system.

The most optimized systems will help you narrow the time frame from purchase to payment, helping you stretch your cash and avoid unnecessary spending, over portioning, and waste. Furthermore, by connecting your inventory system to your POS system you now have the ability to fine-tune your menu engineering, recipe management and control COGS.



Search & Manage Invoices Digitally

With AP automation, everyone on your team can view old invoices and track historical pricing with a few clicks of a button. Whether you're trying to negotiate contract pricing on bourbon or confirming credit for rotten tomatoes, a good AP system will let you access every invoice without having to dig through old banker boxes or aggravate your sales rep to produce copies.

Chef Tales #3

The burger at Hog & Rocks was legendary. The double patty with cheese was our best selling entree and regular guests would indulge in the juicy burgers weekly. My primary beef vendor was an old ally, but was struggling to source Wagyu beef regularly. So, we set out to find a new vendor and use historical data to lock in a price for the next 6 months. With the help of Plate IQ, we could easily sort by vendor, view the past year of invoices, determine our weekly volume, and the average price per pound. Sorting through old invoices in storage bins would have taken days, if not weeks, for the same information.





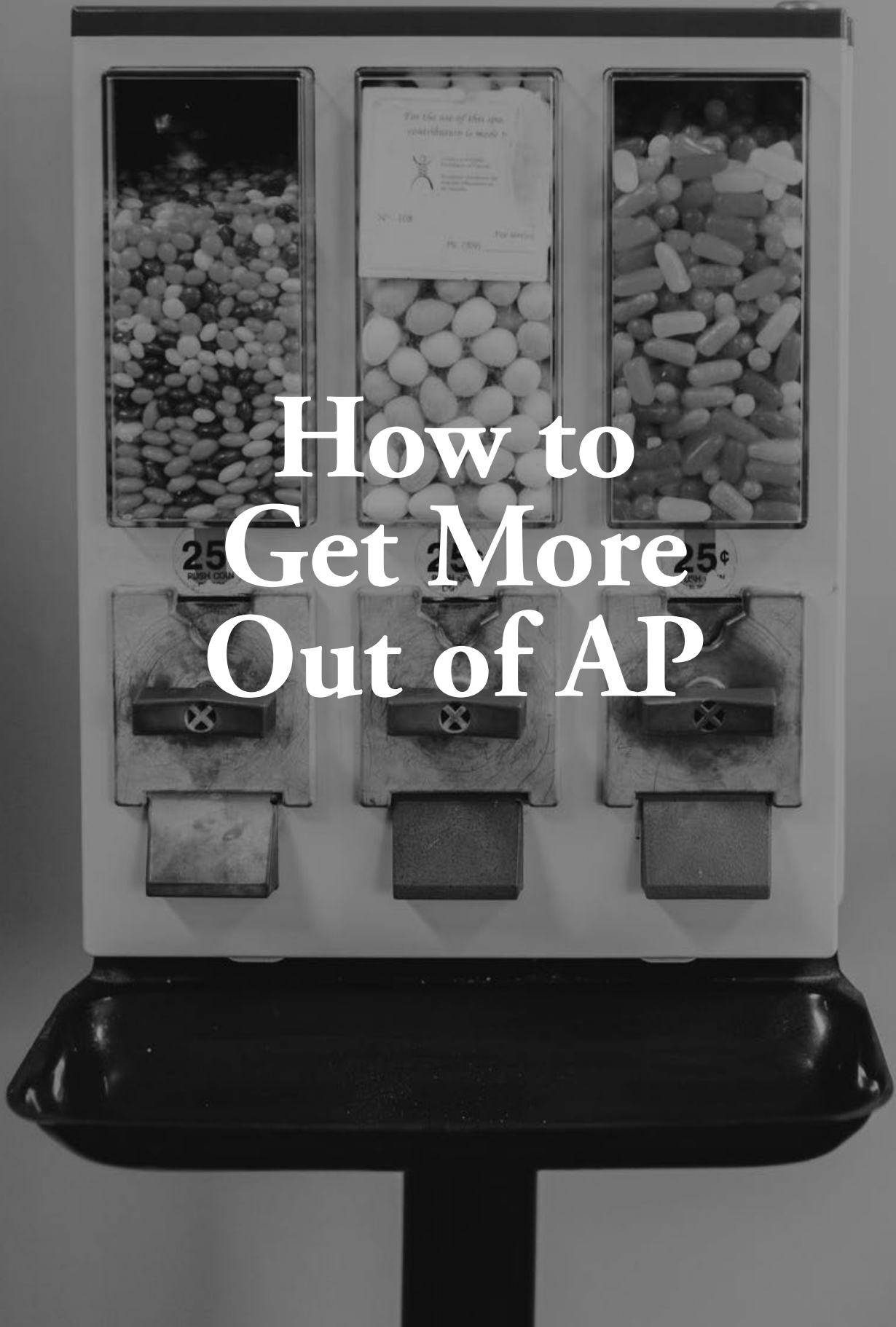
Reconcile Quickly

Reconciliation is the final piece in Invoice Management, but it can't be completed accurately without automating your AP from the beginning. This is because a fully automated AP system that digitally captures invoices without manual entry minimizes errors that inevitably occur when you're keying in your 200th invoice of the week.

Chef Tales #4

My liquor vendor was incredibly uptight about paying invoices in 30 days (or less) or else they would stop delivery until the balance was paid. I've experienced multiple instances where I've had to make a 90-minute round trip (at the speed limit) to their warehouse to hand over a check and collect my whiskey and gin. After a particularly gruelling week of withheld deliveries,

I started investigating the cause for missed payments and realized that I was losing invoices in the mountain of mail that comes in every week. After implementing AP automation, I was able to digitally capture invoices, track them in my system and schedule payments ahead of time. My frantic trips to the warehouse ended and payments were always made on time.



How to Get More Out of AP

Look, no one likes paying bills. Even if you're flush with cash and you're having the best year in a decade, the physical act of printing checks, stuffing and stamping envelopes, and mailing them to your vendors is awful.

There are so many better ways to spend your time managing your business and creating new, amazing experiences for your guests.

However, the upside to this is that with AP automation and the latest innovations in payment processing, restaurant operators now have access to tools that only larger corporations had access to, tools that help transform AP from a cost center into a profit center.

It all starts with the method of payment. By shifting your payment process to direct, electronic vendor payments you now can unlock several layers of discounts and rebates that become a source of revenue for your business.





AP & Bill Pay

Here are some ways that could happen:

Using vCards to pay vendors through a Bill Pay network that generates cash back on payments.

Setting up bill payments ahead of time so they're paid early and earn early payment discounts.

Research from institutes like IOFM show that organizations that take advantage of early payment discounts can earn up to 8.9% in annual percentage savings. By combining this with cash back programs that earn 1% in rebates on spend, restaurant operators could add an additional 10% of margins to their business profitability.

Benefits

- 1.** Easily identify key vendors and invoices due.
- 2.** Pay bills electronically with ACH, vCards.
- 3.** Assists in predicting cash on hand to pay future bills.
- 4.** Stop dealing with paper checks, bank deposits, and bank check processing fees.
- 5.** Automatic cash deposit into vendor bank accounts.
- 6.** Less work for Account Receivables teams: No more dealing with lost or stolen checks.
- 7.** Total payment security, with less risk of check fraud.

Track & Analyze Cost Of Goods Over Time

Automating AP is not just about freeing up time to work on new projects, controlling the invoice approval process, eliminating spreadsheets, and relieving the headache of paying bills.

Automating your AP also means that you'll unlock the ability to analyze and track spending. The process of digitizing, processing and paying invoices automatically creates a rich data trove that you can leverage



Benefits

1. Discover savings opportunities by line item, category, time period, and GL account.
2. Control your spending with actionable reporting.
3. Track price fluctuations in real time and create price alerts.
4. Ensure consistent pricing across locations in your group (i.e. one group shouldn't be paying more for something if they're close to another group that's paying less).

Petty Cash and Employee Spend Management



Sometimes you need to make last minute purchases from local sources. Did you run out of hamburger buns and need a substitute to get through service? Need to grab flowers for the wedding reception you're hosting tonight? Did you forget to buy more ink for your printer and need a last minute run to Staples?

Spend Card Vs Petty Cash

Many restaurants use petty cash to pay for one-off purchases requiring receipts to return with purchases. However, even your most dedicated managers may be tempted to utilize the funds for personal uses. The best way to avoid confrontations is by using a Spend Management platform that lets you issue corporate cards to employees with pre-set approval rules and spend limits.

**The Ultimate
Goal Of AP
Automation
Is To Free Up
Working
Capital.**



There's much more to AP than receiving invoices and paying on time. If done right, buyers and finance teams can work together to use AP to maximize working capital.

For example, having a tight sync between funds coming in and funds going out means that less working capital needs to be set aside to cover unexpected expenses. This means that that capital could be used for growth.

Always paying late or being constantly behind puts the entire company in a stressful situation. Chefs, GM's, and Managers become easily disgruntled when they can't order ingredients or have to wait for an owner to sign checks or pay COD.

Instead, adopt a management focus that emphasizes the importance of optimizing payables and freeing up working capital for growth.



The Complete AP Automation Platform

Get your demo at www.plateiq.com

