

The P.O.S. Decision: Ray's Place's dilemma

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Introduction

It is nearing the end of 2016, and Charlie Thomas along with the management team at Ray's Place Kent, are preparing to sit down for their annual December meeting. They have many important topics to discuss, but one in particular is sure to dominate the meeting. The topic of discussion is point of sales systems (POS) and their implications for Ray's Place Kent, based on the results of the POS system in use during the first 2.5 years since the opening of the second Ray's Place location in Fairlawn, Ohio. A second main concern of the meeting is to address management opinions on the utilization of POS data at the Fairlawn location, as well as determine whether the general management team believes that the current POS maintenance contract should be renewed once the initial 3-year term expires in 6 months. While every one of the six men sitting at the table have an opinion on the subject, none of them can come to any sort of agreement on these topics as the meeting begins.

Ray's Place History and Background

Ray's Place is a full service restaurant and bar, with locations in Kent (Appendix A) and Fairlawn (Appendix B), Ohio. Ray's Place Kent was founded in 1937 when Ray Salitore opened a small Italian eatery in Kent, OH, which he named "Ray's Place". Over the past 80 years of operation, Ray's Place has changed ownership 4 times. It is currently owned by Charlie Thomas, who has operated the business since 1978. Over this time period, the establishment has gone through a series of significant changes, and during the process formed important relationships with the local community and the Kent State University, which have played significant roles in the development of the establishment. During the 1970's and 80s Ray's Place and Mother's Junction (a separate band bar upstairs) were primarily late night establishments serving bar food, pitchers of beer, and liquor drinks by the tray. Mother's Junction started out playing live music 7 days a week, but later only opened Wednesday through Saturday. When the legal drinking age changed from 18 to 21 during the Reagan administration, Mr. Thomas decided it was time for a change. In 1991, Mother's Junction was permanently closed; the building was significantly renovated to cater to changing demographics. At this point Ray's Place Kent be-

gan operating primarily as a restaurant, and a significant increase in food sales began. In 2002 Chef Robert Paone came on board as the Executive Chef at Ray's Place Kent, and began working to redefine the culinary landscape at Ray's Place Kent. In 2006-08 another major set of renovations of the establishment changed the face of Ray's Place Kent forever. This, coupled with a massive redevelopment effort in downtown Kent began bringing visitors in from the surrounding area, which launched the establishment into a new era. Not long after the renovations, another major event occurred, which helped to put Ray's Place on the culinary map! In 2011 Ray's Place Kent was featured on the Food Network, during an episode of "The Best Thing I Ever Ate". During the episode, Iron Chef Michael Symon detailed one of his favorite college meals in Kent, Ohio named the "MOFO" burger, which has been a staple of the Ray's Place menu for over 40 years. This feature would send Ray's Place Kent into the stratosphere and made it a well-known brand in the Northeast Ohio area. It is because of this success that a second location was discussed, and ultimately a suitable location was found in Fairlawn, Ohio. Ray's Place Fairlawn Eatery and Tavern was opened in April 2014.

Both Ray's Place locations carry a similar décor, menu, and drink selection. However, each location has its own personality, character traits, and management team. These factors make the Ray's Place experience fun and unique for employees and customers alike! While Ray's Place Fairlawn is in a much different setting than Ray's Place Kent, the essence of Ray's Place is still visible to anyone who walks through the doors. The menus at both locations are relatively large, and almost identical. They feature a variety of American comfort foods; burgers, salads, sandwiches, appetizers (many of them fried), and a few higher priced entrees as well as daily specials. A full bar is featured at both locations, with a wide variety of beers, wines, and liquors. Craft beer is a focus at Ray's Place, and both locations carry at least 60 draft beers, as well as over 100 different bottled beers from around the world. Keeping up to date inventory of these items has at times been a challenge over the years. On busy nights, the restaurants will sometimes sell out of certain popular draft beers and menu items. A friendly family atmosphere and team dynamic are heavily institutionalized at Ray's Place. The atmosphere is very casual and upbeat at both locations, with staff wearing Ray's Place logoed t-shirts and jeans. Customers often strike up interesting conversations with their favorite employees on a regular basis. It is very commonplace and even encouraged for employees

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to spend time with each other outside of the workplace, and many employees share living arrangements. Other important ways that the company promotes teamwork are by the practice of the serving staff splitting all tips evenly at the end of each shift and ½ price employee meals/drinks offered after each shift, with a “family meal” encouraged. There are also several yearly companywide social gatherings, where the company will organize events, such as travelling (on a charter bus) to Cleveland Indians baseball games, or attending beer tastings at Great Lakes Brewing Company, free of charge to all employees.

Customers + Employees + Physical Plant

What you see above is the time tested formula for success at Ray’s Place. It is explained in detail to every employee of the company upon hiring, and is reinforced on shift as well as at every restaurant wide employee meeting (twice annually). This formula, along with an emphasis on providing quality customer service, and other key Ray’s Place specific teachings, such as; “The 3 Commandments” (Appendix C), “You Can’t Manage from the Back Office”, and “You Can Get a Cheeseburger at Ray’s, but You Can’t Get a Beer at McDonalds”, are what makes Ray’s Place a unique and rewarding place for customers, employees, and management alike.

Ray’s Place Kent

Ray’s Place Kent is located in downtown Kent, Ohio, which is the home of Kent State University. It is housed within a historic (approximately 150 years old) two-story structure (Refer to Appendix A). The establishment does approximately 3 million in revenue yearly (45% Food, 55% Alcohol). There are 45 tables (4 chairs each) = 180 chairs, 2 bars and a billiards area with 55 bar stools total (180+55=235 total seats). While the dining area is relatively spacious, the kitchen and bar areas are crowded with wares/equipment needed in the operations of the business. Every General Manager in Kent (4 GMs + Owner), as well as the Executive Chef have been with the company at least 15 years, with an average employment of approximately 25 years, and an average age of approximately 60 years. Most of the servers/bartenders at Ray’s Place Kent are in their early to mid-20s; however, there are several outliers with several (non-management) servers/bartenders in their late 30s, 40s and 50s. The servers/bartenders over the age of 30 have all worked at the establishment since their 20s. All front of house employees in Kent are required to start at the door and then are trained to work on the floor. These employees are usually in their early 20s when hired, with a few exceptions made for individuals with passion and experience.

The Kent location has historically, and still currently, utilized a Guest Check system (Appendix D). Two different types of guest checks (a separate type of check for downstairs and upstairs) are used, each with carbon copy capability. In this system, a server or bartender takes a customer’s order and writes each item on a separate line of the guest check. After writing, the server takes the carbon copy of the order and

submits it to the kitchen. The kitchen then makes the food and gives the food to the server, with the carbon copy ticket. Once all items are accounted for, the carbon copy ticket is put on a spindle. When the customer is ready for their bill, the server takes the original copy and manually adds up all of the prices of the food and drink items, then manually calculates and adds sales tax, before handing the totaled check to the customer. Payment transactions are run through antique NCR cash registers (Appendix E) and/or separate credit card terminals. Management is then able to create written daily reports, and ultimately records the data in excel spreadsheets.

The antique National Brand cash registers are located behind both bars, and are fully functional. They are used daily in the operations of the business, and customers enjoy the classic charm, and constant ringing they provide. They are part of the show at Ray’s Place! However, these registers have been out of production for decades, and while Ray’s Place Kent has a vendor who is knowledgeable and able to repair the registers, it is becoming ever harder and more expensive to find replacement parts. The vendor is also growing older, and it is unclear if there will be another option for register repairs if he retires or becomes unable to continue his work. Currently, the business spends \$500/per year in cash register maintenance. It is estimated that Ray’s Place Kent spent approximately \$2,000 on guest checks in 2015. While this cost by itself does not seem very high, it does not take into account the wasted resources, such as: food wasted from illegible or inaccurate handwriting resulting in items being remade, time wasted from handwriting errors resulting in kitchen employees being taken off their job to clarify orders with serving staff, voids and comps resulting from lost or delayed tickets, and the labor needed to manually calculate data from the cash registers and credit card machines in order to produce written daily reports and excel spreadsheets for accounting purposes. Also, without having specific sales transactions stored in digital files, all of the sales receipts must be kept and stored for 8 years as required by government mandate.

Ray’s Place Fairlawn

Ray’s Place Fairlawn is in a much different situation than Ray’s Place Kent. It is located next to a large suburban mall and caters to an older and more professional demographic than the Kent location. It is housed in a 1 story structure, which was originally built to be a corporate style restaurant and has all of the design elements expected of such construction. The Fairlawn location also has a heated patio, which is often used for special events. Although the structure is very different from the Kent location, many of the design elements of the bar area were intentionally created to mimic that of Ray’s Place Kent, in order to give the establishments a consistent feel. The kitchen, storerooms, and office are significantly larger and more modern than at Ray’s Place Kent, and the hardwiring and infrastructure for a POS

system was already in place when the building was acquired.

The Fairlawn location utilizes a POS System, which was installed during its opening in 2014. The POS system in Fairlawn was purchased from Hospitality Control Systems (HCS), which also currently has a service contract for the system. The system is comprised of 7 Terminals (3 with payment capability), 10 Printers (7 F.O.H., 3 B.O.H.), and a control monitor in the back office. The POS system cost \$19,000, which included a 3 year, all included, 24/7 warranty/service contract. This compared favorably to a similar package from Competitor A, which was quoted at \$28,231, and Competitor B, which was quoted at \$25,212. One other key differentiating feature between the three companies was the ability to utilize gift card capabilities without extra fees (Competitors A and B did not offer this feature). While the POS system has brought many efficiencies to Ray's Place Fairlawn, it is still a constant work in progress. Currently, the inventory functions are only used at their most rudimentary level, mainly for countdowns and X-outs when management knows they are low on certain items. Alcohol costing and beverage menu mix functions are being utilized with the POS system; however, food costing or menu functions are not used beyond basic sales counts. In that sense, Chef Paone conducts operations in the kitchen much the same way as he does at Ray's Place Kent, primarily paper based with an intuitive sense of what needs to be done.

Each member of the current general management team at Ray's Place Fairlawn started their employment at the Kent location, with the average tenure of Ray's Place Fairlawn's management team being approximately 10 years with the company. The average age of the management team at Ray's Place Fairlawn is approximately 40 years old. In Ray's Place Fairlawn there are approximately 130 chairs in the dining room, 70 chairs on the patio, and 20 bar stools (130+70+20=220 Total). The establishment currently generates approximately 1.5-2 million in revenues yearly (60% Food, 40% Alcohol), with a favorable outlook for future growth. Even though the situation in Fairlawn is very different from Kent, management has attempted to create a similar culture and team dynamic as to what exists at the Kent location. For instance, all members of the serving staff clock in using their social security number, but access the POS under one "team number" ("Bar 100" for example) and split tips evenly at the end of every shift. This approach has been successful in creating team morale, but can make it difficult when issues arise with orders and creates lower accountability for employee mistakes.

Overall, management has been very happy with the POS system at Ray's Place Fairlawn. However, there have been some notable differences compared to operations at Ray's Place Kent, with some employees citing concerns about less communication, employee empowerment, and knowledge of the menu pricing at Ray's Place Fairlawn. Whether this is related to the POS system usage, or the relatively early stages of

operational development at Ray's Place Fairlawn remains to be seen. Regardless, management feels that the benefits of the POS system in Fairlawn far outweigh the drawbacks, and they would not attempt to operate Ray's Place Fairlawn in the same manner as Ray's Place Kent. As General Manager K.B.S. said, when asked about her opinion of working at both locations, "We at Ray's Place Fairlawn could not do things the way they do them at Ray's Place Kent, and Ray's Place Kent could not do things the way we do them at Ray's Place Fairlawn"

The December Meeting

This brings us back to the December meeting at Ray's Place Kent. As the meeting drags on, the debate on whether to adopt a POS System in Kent begins to heat up! Chef Paone cites the constant mistakes and illegible handwriting on the guest checks in Kent. Manager M.D. discusses how, "on a day we do \$20,000 in business, the register may be off \$40" (from employee error). Having seen the efficiency and consistency of POS in Fairlawn, it is easy to see how these and other problems could be solved with a POS system. However, Manager T.C. chimes in that he is not sure that there is adequate space to install a POS system in Kent. Chef Paone agrees, and says "I don't think that a POS system can be implemented downstairs in Kent without losing seating". Manager P.W. joins the conversation, saying in a grumbly deep voice, "if it ain't broke don't fix it". Mr. Thomas sits back and ponders. He knows that these are all valid points, and that table is no closer to agreement on the subject of POS adoption at Ray's Place Kent than when they started the meeting.

The POS Decision

As the meeting draws on, it has become apparent to Mr. Thomas that there is little chance of coming to a unanimous decision regarding the implementation of a POS system at Ray's Place Kent. Mr. Thomas has a lot to consider, and the cost of a POS system for the Kent location is the last thing on his mind. Each member of his management team has been with him for decades, they trust him and have devoted their lives and careers to making Ray's Place the best restaurant company that it can be. There is a lot of emotion involved in making a decision such as this, which will dramatically change the way operations are conducted at the establishment. It is also apparent that some of the management team is staunchly opposed to the idea. Mr. Thomas knows that at the end of the day a decision made must be what is best for Ray's Place Kent as a whole, and that it must make business sense.

The Arguments for POS at Ray's Place Kent

Management Arguments for POS Adoption:

- Greater efficiency and accuracy
- Improved legibility of tickets
- Standardization of ticket format, timing, and pricing
- Increased accountability
- Reduced risk of lost tickets
- Ability to inform servers of out of stock items through countdowns and X outs

Management Arguments against POS Adoption:

- Lack of infrastructure/space
- System already in place has been successful
- Older managers and employees are less technologically proficient
- Dependence on POS system for operations
- Customers enjoy the classic NCR cash registers.
- Possible loss of seating downstairs

Appendices

Exhibit A

Ray's Place Kent Currently



Upstairs Cash Register(Kent)



Grill Line in Kitchen(Kent)



Appendices continued

Exhibit B

Ray's Place Fairlawn



Bar Area with POS (Fairlawn)



Grill Line in Kitchen(Fairlawn)



Appendices *continued*

Exhibit C

The 3 Commandments (According to Ray)

1. Thou Shall Not Steal
2. Thou Shall Not Drink on the Job
3. Thou Shall Not Knowingly Serve a Minor

Exhibit D

Sample Guest Checks

The image shows two sample guest checks side-by-side. The left one is white and the right one is yellow. Both have the title "Guest Check" at the top. Below the title are fields for "NAME", "TABLE", "CHECK", and "CHECK NUMBER". The check number is "Nº 3605140" on the white check and "Nº 3605138" on the yellow check. The main body of the check is a grid with 10 rows and 2 columns. At the bottom, there are fields for "TAX" and "TOTAL", and a "Thank You" message. The white check has "81-6988" at the bottom left and the yellow check has "81-6988" at the bottom right.

Exhibit E

NCR Cash Register

