




Taking Pizza Hut to the Next Level

System Makeover Re-Energizes Pizza Giant's Sales and Productivity

As a leader in the highly competitive pizza market, Pizza Hut relies on finely tuned operational and financial control at its 650 branches across the United Kingdom and Ireland. The chain, which operates as a 50:50 joint venture between the USA's Yum! Brands and Whitbread, is notable for operating two distinct types of business under its heavily promoted brand: table service family restaurants, with 420 branches in the UK and Ireland; and home delivery stores, of which there are 270. All units also offer take-out meals and 50 of the restaurants have additional home delivery facilities.



Pizza Hut leads the industry with continuous menu innovation and a wider choice of pizzas - from Pan and Italian to Stuffed Crust and Edge - than any other brand. This constant progression of new products is typically backed by high visibility national advertising. These and other points of difference require responsive management at both area and store level. Pizza Hut (UK) has, over the past four years, made a thorough investigation of its in-store systems for point-of-sale, stock management and information handling. The chain's existing POS (point-of-sale) system, in use since the late 1980s, was showing signs of age, particularly in its ability to drive operational efficiency in stores as well as provide enterprise business intelligence and decision support.



The Challenge



A dozen different system vendors were approached, with 6-7 shortlisted by the end of 2002. This highlighted two main contenders: a system already used by Pizza Hut and KFC chains in the USA; and the Restaurant Enterprise Solution from MICROS-Fidelio.

"Initially, neither product specifically met the needs of our business," commented Julian O'Neill, Director, Business Process and IT, Pizza Hut, (UK)

Ltd. "Our feeling, after some pretty stringent testing, was that MICROS had the capability to develop what we needed more quickly and robustly. Their system fitted the UK scenario better." An accountant by training, O'Neill came to his current post following a number of roles within the business, most recently that of director of planning.

In the middle of 2003, a MICROS system was installed at the busy Pizza Hut restaurant in the Lakeside Shopping Centre in Essex, with a home delivery store likewise equipped by November that year. These trials proved that MICROS could suit the business and were extended to a regional group of 11 stores by early 2004.

Operator feedback highlighted the need for bespoke enhancements, which were progressively developed by MICROS-FIDELIO alongside further expansion of the system to both home delivery stores and table service restaurants. By August 2005, all company-owned home delivery stores had a MICROS system as well as all 70 of the new Pizza Huts opened during 2005, both company-owned and franchised.

In-store systems comprise a network of Point of Sale terminals for order entry, optimized for speed of use and suggestive upselling; a series of Kitchen Display monitors to manage order preparation in the kitchen, a sophisticated cash and dispatch display for controlling dispatch of orders for delivery including driver selection, order batching and route planning plus the above-store control and reporting infrastructure providing enterprise business intelligence to corporate, regional and store managers.

System Benefits

According to O'Neill, benefits fall into two key areas: financial and operational. "Firstly, the System has helped drive up revenue by increasing average guest ticket," O'Neill commented. "That has happened particularly thanks to the intuitive nature of the system and the way it leads staff through the selling process, in addition to the ability to incentivize individual team members through the use of detailed employee performance reporting."

The previous POS system had a relatively unresponsive green-on black screen and required several keys to be pressed when registering orders. Now, operators can quickly suggest deals as soon as customers specify order components, with the crisp color graphics of the MICROS screen helping progress transactions speedily and flagging up strategic information.

For example, a typical home delivery meal for four costing around £18 offers the opportunity to "bump" customers up to £20 by bringing in extras which enhance perceived value. "MICROS supports staff in a contemporary and user-friendly way, putting a lot more intelligence behind the selling process," O'Neill said. He estimates average increase in guest check at around 1 to 2 per cent.

Order Flow

Speed is also a vital component in successful pizza sales, both in the restaurants - where diners have the option to order from the menu or self-serve from buffet counters— and at home delivery stores, where a few minutes either side of the 30 minutes order fulfillment period can crucially influence customer satisfaction and repeat business. Delivery stores apply various specialist technologies such as IVR (integrated voice recognition and CLI (customer lookup)) to deal with customer orders as responsively as possible, for example, by calling up previous purchase history and address details.

The MICROS system integrates seamlessly with the delivery ordering process, linking it with in store communication. Once customer orders are finalized on one of the front-of-house terminals, they are fed electronically to a kitchen display terminal above the Make Table where pizzas are topped prior to cooking. This terminal also generates a ticket identifying the order.

Once cooked, pizzas and other orders pass to the Cut Table which also has a kitchen display terminal. This in turn produces a receipt ticket to

identify the cooked food prior to being boxed for home delivery or take-out. Similar systems control the production flow through restaurant kitchens.

Behind the scenes, the MICROS system is allowing better sales and product forecasting, enabling staff in both restaurants and home delivery stores to predict more accurately how many pizzas they need to defrost and proof prior to service. The MICROS system also has a staging process which enables kitchen staff at restaurants to automatically progress orders through the kitchen in the most efficient way. This allows all the items which make up an order to be completed in exactly the same time frame, preserving good quality and increasing guest satisfaction.

Pizza Hut's menu is simpler than at, say, the TGI Friday's chain, which uses a similar system. "But staging definitely aids quality by applying systematic controls," O'Neill said. Thus, when everyone on a table orders starters, the system can space out the pizza-making process accordingly rather than floor staff needing to tell the kitchen verbally to hold the pizza for a few minutes.

With the constant pace of menu change - typically with a significant addition every two months—efficient menu downloads to each store from a central server has long been a crucial system requirement across the Pizza Hut chain. According to O'Neill, it has proved much simpler to manage these centrally transmitted menu changes on the MICROS system.

Hand-held ordering terminals. As part of the process of improving guest service, the option of enabling Pizza Hut waiters to take orders on hand-held terminals has been investigated since 2002. The MICROS system installed at the company's restaurant at Lakeside Shopping Centre in Essex was introduced with wireless-linked PDA (personal data assistant) terminals. These enable waiters to record diners' orders and immediately transmit them to the kitchen and drink dispense stations.

Some operational issues surfaced. "They always do when you are rolling out new technology, but especially so when moving from pen and paper to something which is effectively a till in a person's hand," O'Neill commented. Glitches were promptly resolved by MICROS-FIDELIO and the hand-held have proved robust enough to be installed at several more restaurants, in both Central London stores and Nottingham.

"Technically they work fine, and the cost difference over conventional manual ordering and till entry is marginal and may be justified by their

return to the business," O'Neill commented. "The challenge is: how do they fit into our business? On the one hand, they facilitate much better standards of service. One of the neatest examples is when a waiter takes a customer's drinks order and the drinks arrive while the food order is still being taken. That's beneficial in terms of both customer service and staff productivity."

"On the other hand, hand-holds create a significant change in the way a team member interacts with customers. We don't want any possibility of creating a barrier." Hence Pizza Hut's continuing evaluation of the concept, along with interface issues such as Chip & Pin.

Labor Scheduling

Backing up its benefits in customer service and production control, the MICROS system has been found to make a significant contribution to more efficient labor scheduling, particularly at delivery stores. At a typical unit, peak time staffing amounts to 5-6 people doing a combination of jobs from answering the phones to making the pizza, pot washing and delivering. Some cross-training is practiced but the "all hands on deck" scenario has the potential for labor wastage before and after peaks.

The MICROS system, through its forecasting capability and automatic generation of staff requirements, helps managers overlap shifts more effectively, bringing in extra people at different points in the demand curve. "These tools are now so much more advanced," O'Neill commented.

"Store and area managers can—almost in real time - monitor how sales are trending and how staff are being allocated," O'Neill said. "One direct result is more efficient labor deployment. Which has improved by 3-4% in trial stores"





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Management Control

The system installed at each Pizza Hut delivery outlet, restaurant and area managers office includes password-controlled access to an enterprise information portal, mymicros.net. This content-rich and secure Internet portal enables area and store managers and staff costs, with real-time reports obtained via a Web browser at any time. This enables managers to react immediately to any emerging issues and run their operations more effectively.

Several MICROS applications can be used stand-alone in both restaurants or delivery units, irrespective of whether they have converted to MICROS or still use an older POS system. Electronic ordering from food suppliers, for example, has now been introduced across the business. Each Pizza Hut store gets 2-3 deliveries per week from food distributor 3663 (as of February 2006) encompassing about 200 frozen, chilled and ambient lines. All non-foods (cleaning, disposables, stationery, etc) come through King.

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A system component called myinventory is also being progressively introduced across the chain. "It allows much more detailed management decision making and much increased transparency of what is happening with stocks - food and consumables - in every store," O'Neill pointed out. "So we can really start to understand, in a very detailed manner, what is happening with our cost of sales as well as get better visibility of what is happening across the business."

One other layer of economic benefit experienced with the MICROS system is lower hardware maintenance costs. MICROS utilizes Microsoft CE .NET Operating System for all order entry terminals and kitchen display monitors, running on their solid state hardware devices. These diskless, fan-less devices are highly reliable and have a 33% lower initial purchase costs when compared with competitive offerings, as well as significantly reduced maintenance costs.

Staff Training

Bringing in a new system across such a large chain requires cohesive training. Pizza Hut UK applies a "cascade" system. Managers and deputy managers undergo two days' off-site training in the MICROS till system and in the internet-based mymicros.net above store reporting application, with the remainder of the training conducted in-store by the management team. Julian O'Neill commented favorably on the intuitive design of the MICROS system. "It has made the training of team members far simpler than it ever was before. In fact, there have been cases of team members teaching themselves."

Continuous Enhancement

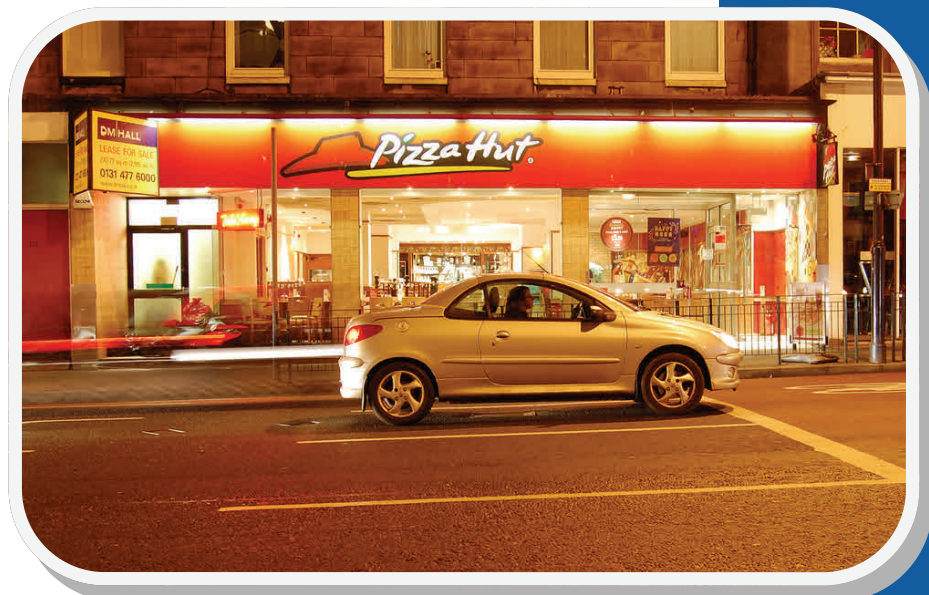
The introduction of the MICROS 3700 system at Pizza Hut over the past three years has involved a continuous process of bespoke enhancement, from detailed hardware adjustments such as screen positioning to fundamental operational updates such as Cash and Dispatch.

The ability to customize has been very significant and owes a lot, O'Neill said, to the relationship established and maintained with MICROS-Fidelio. "As two businesses, we have worked in true partnership," he commented. "We have gained a lot from their support and their product has evolved dramatically with our input. It's become vastly more advanced and powerful- the leading edge of POS systems.

MICROS Systems Inc. provides enterprise applications for the hospitality and retail industries worldwide. Over 200,000 MICROS systems are currently installed in table and quick service restaurants, hotels, motels, casinos, leisure and entertainment, and retail operations in more than 130 countries, and on all seven continents.

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