



Building the Smart Business



Recipe for Success

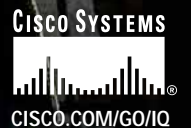
USE THE NETWORK TO INCREASE OPERATIONAL EFFICIENCY AS YOU GROW

CONNECTING COMMUNITY HOSPITALS

TIPS ON GOING WIRELESS

LES WHITE, SUBWAY FRANCHISE OWNER

- RETAIL INNOVATION
- RSS EXPLAINED



Recipe for Success

BY FRED SANDSMARK



LES WHITE DOES THINGS HIS OWN WAY.

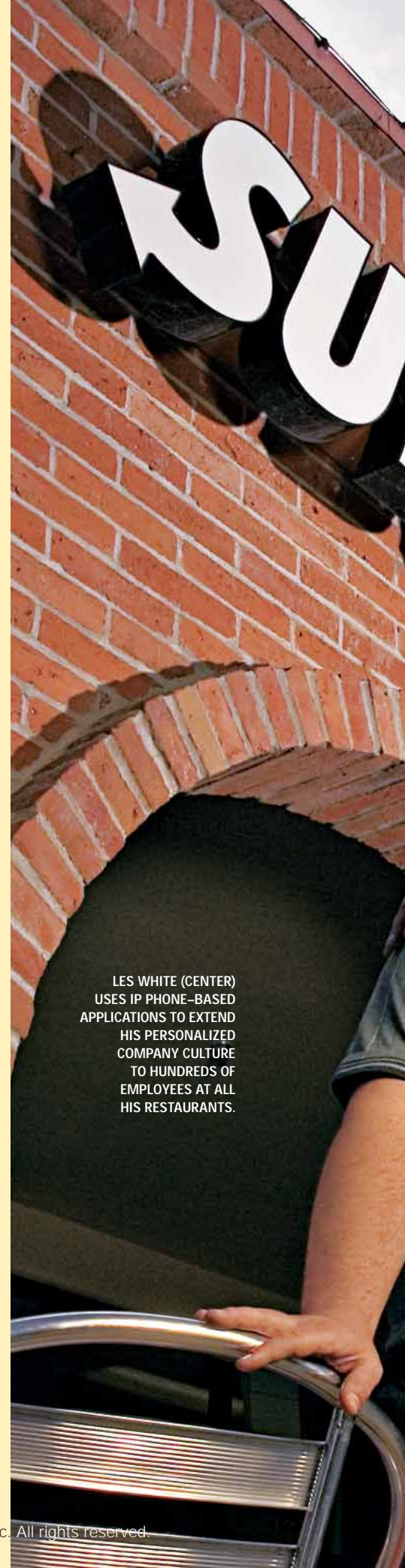
Based in Tucson, White sports a blond goatee, favors cowboy hats and boots, and owns 26 Subway Restaurants franchises. He named his company *Zeus Nestora* (Greek for “Father of Wisdom”) because, as he says, “I wanted employees, managers, and area directors to feel the enthusiasm of the family atmosphere, realize the encouragement they would receive, and understand the passion the company has for their well-being.”

Most extraordinary: White measures his achievements not in sandwiches served or dollars banked, but in lives improved. “My philosophy, and this company’s philosophy, is that success is built on how many leaders we develop,” he says.

While some may call his methods unorthodox, nobody can argue with his results. White had initially purchased five operating Subway franchises with a partner in 1995; two years later, each was grossing approximately \$3,500 per week. He bought out his partner in 1997 (forming the corporation now known as Zeus Nestora, LLC). By 2003, each of his 18 restaurants was grossing an average of \$14,646 per week. White’s franchise has twice won Subway corporate awards for the highest annual total average sales among franchises its size.

White has his own perspective on business technology as well: He’s openly skeptical. “Technology is one of those things I stay away

PHOTOGRAPHS BY DAN COOGAN



LES WHITE (CENTER) USES IP PHONE-BASED APPLICATIONS TO EXTEND HIS PERSONALIZED COMPANY CULTURE TO HUNDREDS OF EMPLOYEES AT ALL HIS RESTAURANTS.

This Subway sandwich franchisee
uses network applications
on IP phones to increase
efficiency and motivate employees.



from. It's something that I don't really know anything about, and I don't really want to know anything about," he says. "What I do want to know is what technology can do to make me closer to the individuals who really make the business go."

NETWORK CONNECTIONS

White routinely joins his employees on the sandwich lines and takes pride in knowing all of his employees by name. But as his business grew to 26 stores and 300 employees, he has found it challenging to maintain this personal approach.

"I wasn't really getting time to visit with people, to let them hear my mission and hear what this company is all about," White says. "My objective was to bring the mission and the communication to the staff." He also saw room to improve the financial-reporting accuracy and operational efficiency of his restaurants.

What's more, White wanted to improve communications between stores. Before he began his network project, each store had a stand alone point-of-sale system and traditional phone service. Zeus Nestora had no company network.

A business associate introduced White to consultants from IPcelerate, Inc., a Cisco Technology Developer Partner, to discuss his business challenges.

"As Les grew his organization more and more, he was diluting the amount of himself that he could spread around," says John Moore, director of IPcelerate's application consulting group. "He wasn't able to drive his cultural dynamic—building people—as effectively as he really wanted to. We began the process of understanding his



IN BRIEF

GOALS: Extend a lively and personal corporate culture to dozens of locations and hundreds of employees in a rapidly growing quick-service restaurants franchise. Improve fill-in labor procedures. Enhance communication between leaders and line workers. Increase financial accountability, safety, and employee participation.

STRATEGIES: Applications reside on an IP network and are accessed using IP phones with large, color touch screens and speakerphones instead of PCs. Customized applications provide time-card and shift management, daily motivational messages, financial reporting, and other business processes.

RESULTS: The network gives owner Les White new ways to make personal contact with his employees. Time-intensive processes, such as finding replacement workers, are automated. Accuracy and timeliness of daily deposits improve because store personnel input the figures directly into an application, rather than leaving phone messages that are then transcribed by another employee.

business objectives, which were fairly nontraditional, and identified how we could adapt IP phone technology into his environment."

IPcelerate connected White with Calence, a local reseller and Cisco Gold Certified Partner. Working together with Cisco Systems, the companies showed White how a network could help. "This system of IP phones created an avenue for me to do the best I can with my philosophies and really enhance everything that I'm doing on a more personal basis," White says.

"It was obvious that he could profit by organizing his stores through a corporate network," Moore says. "With



A SELF-DESCRIBED TECHNOLOGY SKEPTIC, LES WHITE NOW USES IP PHONES EVERY DAY.

the network in place, he'd have the opportunity to gather information, but also to effect change."

Calence designed a system featuring Cisco Unified IP Phones and applications that IPcelerate developed specifically for White's business style. These applications run directly on the phone displays.

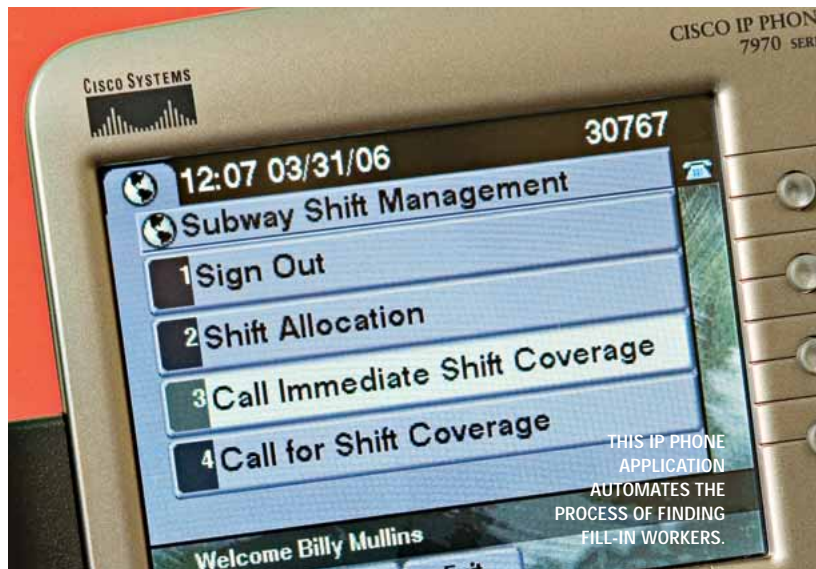
"This was all possible because Les did not start out by saying, 'I'm looking for a new telephone system; now help me cost-justify it,'" says Kevin Brown, IPcelerate's president and CEO. "The whole conversation was around the business initiatives and the challenges that he was facing."

MANDATES AND GOALS

White wanted to extend the Zeus Nestora company culture—indeed, to extend himself—to more locations and more people. But the mandate for new technology also came from the Subway corporate organization. Although the specific details remain proprietary to Subway and its franchisees, White says that they coordinated nicely with his goals. In fact, he believes his applications will appeal to Subway at the corporate level.

The new system, which cost approximately \$13,500 per store, will drop to an incremental cost of approximately \$3,500 per store as White's franchise grows, notes Moore. It does much more than simply replace old phones. An IP network infrastructure with custom applications, the system improves the operational efficiency of collecting and using financial and personnel information, while giving White more opportunities to connect with his employees.

"Les has found a way to take the promise of applications



on IP telephony and really impact the business," says Calence CEO Mike Fong.

Moore adds that an IP-based communications system makes sense for restaurants because it can avoid placing a computer in a hot, moist, and space-constrained environment. And it's especially sensible for White, who has no information technology staff.


FRESH TECHNOLOGY

IPcelerate and White developed a series of applications to be phased in this year; deployment began in February. The first three applications show how the network and IP phones promote White's culture and presence throughout his organization.

Process Compliance: In his early years with Subway, White literally did it all, working 22-hour days that began with baking bread at 2:00 a.m. and finished with paperwork at midnight.

Over a decade he developed carefully timed steps that, he believes, are the most efficient way to open a restaurant each morning, operate it through the lunch and dinner rushes, and close at the end of the day. He compiled the task sequence into a binder of laminated pages known as the Red Book. As employees completed each task, they marked it with a dry-erase marker; at the end of the day they wiped the Red Book clean in preparation for the next day.

IPcelerate translated the Red Book into messages that appear—and are heard in White's own voice—on the Cisco phones. Upon completing a task, the employee checks it off by touching an icon on the phone's screen. If a task isn't checked off, the messages grow more insistent. "Ten minutes later, it's 'Hey! Get the bread in the oven!' And ten minutes after that it's, 'I'm going to call Les!'" in a singsong



THE WORKS
The Network Infrastructure

THE CORE OF Zeus Nestora's network is at White's home, which also serves as company headquarters. A network rack with redundant Cisco Unified CallManager, Cisco 7815 Media Convergence Servers, and Cisco Catalyst 3560 Switches with Power over Ethernet connects to the Internet with three T-1 lines. Each restaurant location has a Cisco 2811 Integrated Services Router and one Cisco 7970G Unified IP Phone with color touch screen. A DSL line connects to the Internet, and a virtual private network secures communications between restaurants and headquarters.

ILLUSTRATION BY PETER HOEY



WHITE'S MOTIVATIONAL "DAILY LES-SON" HELPS DEVELOP NEW STORE MANAGERS.

"To have access to 300 employees immediately at the touch of a button is just absolutely miraculous."

—LES WHITE, ZEUS NESTORA

voice," Moore says. "Les knew recorded messages would make the task direction whimsical and fun while still driving compliance."

Time-Card and Shift Management: Subway restaurants run with minimal staffing—as few as four employees per store, even during rush periods. If an employee calls in at the last minute unable to work, the four-person crew drops to two while the shift leader tries to find a replacement worker. "It is probably the most inefficient, nonproductive time in any quick-service restaurant," White says.

Employees now clock in to work using the IP phones, which put time-clock functions on the IP network and allowed IPcelerate to automate the process of finding fill-in workers.

The shift manager can touch an icon on the phone to have the Shift Management application check which employees aren't currently working, locate candidates who have the needed skills and want an additional shift, and identify which ones can work more hours without incurring overtime. Then

the system calls them, one by one. If a worker wants the shift, he or she presses a key and the shift leader learns that the time slot is covered. If the worker doesn't want the shift, the application calls the next potential one. "To have access to 300 employees immediately at the touch of a button is just absolutely miraculous," White says.

The "Daily Les-son": Personal motivation is a central component of White's business philosophy. "For the last four years, I have put out a power phrase or daily motivator every single day," White says. Traditionally, he delivered this thought for the day to a small group of managers using voice mail, but the new system allows White to extend his Daily Les-son to all employees.

"I'm now gearing my daily mental motivators toward the employees in the store," White says. "When they clock in on the phone, they have to listen to it. They hear my voice; they get to know what our philosophies are."

"That's driving culture," Moore says. "It's a simple thing to do, but it really deepens the link." It's also forward-looking, he points out: "As Les adds additional restaurants, one of those entry-level employees is tracking to become the next store manager."

CRITICAL HELP FROM PARTNERS

White relied on Calence and IPcelerate to support the IT resources he lacked internally, but the partners offered more than technical acumen.

With its "Application Discovery Workshop," a fixed-rate

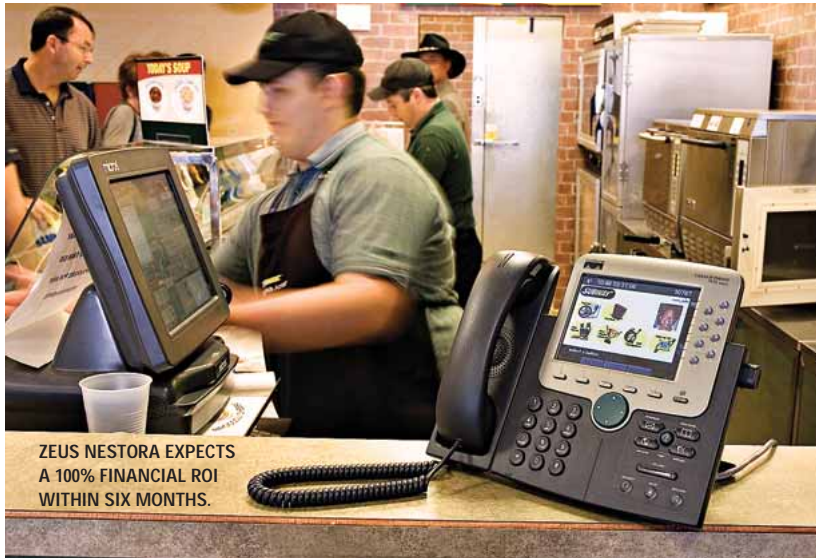
consulting arrangement, IPcelerate shadowed White and his managers for days, learning the who, what, when, where, why, and how of Zeus Nestora.

“The Application Discovery Workshop is really about getting to intimately know our customers in a non-sales environment that explores their objectives, desires, and challenges,” Moore says. “We then find ways to knit technology into what they’re doing today, without disrupting their business culture, while enhancing the performance of their objectives.”

Application development itself builds on the foundation applications that IPcelerate has created over the last few years. “Every time we start a project, we’re probably 85% finished because we’re leveraging our core application engine,” Moore says. “It’s a relatively inexpensive software build-out compared with previous experiences [most customers] have had. Our costs are surprisingly low.”

Next, Calence developed a network foundation to complement the applications.

“We worked to understand the business requirements that the applications are solving, and how those translate into network requirements,” Fong says. “Then we architected a network to meet those needs—the wide-area net-



“I want to know what technology can do to make me closer to the individuals who really make the business go.”

—LES WHITE, ZEUS NESTORA

work it will support, the bandwidth requirements, the local-area network, the infrastructure in the stores—from physical cabling all the way through to the routers, switches, and security.”

THE “DYNAMIC OF LES”

While the rollout of the new IP phone-based applications in White’s restaurants was still underway at press time, White expects the system will improve efficiency.

“Quick-service restaurants are all about efficiency and speed of service,” White says. Anything that can slice away seconds can improve revenue.

Take credit- and debit-card payment processing. “We have a problem in our industry with lines [of customers] backing up,” White admits. When they see lines, customers often look for another eating option.

Each of White’s restaurants currently relies on a card reader with a dial-up modem, which can take a minute per transaction. In the second phase of his network project, he will replace these with a network-based card reader that processes transactions in a half-second. The change to IP-based card approval will be invisible to patrons, yet they’ll enjoy its effects.

A BALANCED DIET
The Applications

The **FIRST COURSE** of applications that IPcelerate developed for the IP phones in each of Les White’s Subway restaurants satisfies the hunger for process compliance, time-card and shift management, and the Daily Les-son. The **SECOND COURSE** of applications fills these communications needs:

The Daily Deposit: Rather than calling an answering machine at Les’s home office with financial totals, store managers now enter data via the IP phones, saving time and increasing accuracy.

911 Alert: Crimes in restaurants often come in waves. When one of White’s restaurants has a problem, the others get word immediately.

Employee Recognition: Accolades for outstanding employees are announced immediately on the IP phones’ color screens.



THE IP PHONE INTERFACE AND RESTAURANT-TASK APPLICATIONS ARE WHIMSICAL AND FUN TO USE.

“Customers won’t ever really know that it’s there, but they’ll see a big difference in the speed of service,” White says.

Clearly, White’s focus is not on technology or efficiency, but on community.

“The main objective that I had for IPcelerate, Calence, and Cisco was to find solutions for my business issues,” he says. “We’re not ever looking at technology, really. If you can apply those applications toward my philosophies and objectives, then all the profitability and efficiencies that go along with that are cream on the top.”

The topping happens to be impressive. Based on the improved efficiency of the time-card management and staffing outcall applications alone, White estimates Zeus Nestora will save approximately \$500,000 this year—

double his initial investment. That’s a six-month ROI, resulting largely from better management of payroll and overtime, and filling no-show workers’ shifts faster. But White did not seek an ROI calculation until after the system was deployed; his goals were focused on employee development, business efficiency, and company culture.

And his partners were happy to comply. “I wanted to be sure that whatever we did could really extend the dynamic of Les into his organization,” Moore says.

For White, growing stale isn’t an option. “Doing nothing for a company that wants to grow, such as mine, is really not a choice,” White says. “I have to make it better. Technology has to be better. Communication has to be better. I have to grow, and the technology has to get better to help me grow better.”

REGULAR *iQ* CONTRIBUTOR FRED SANDSMARK LIVES AND WORKS IN THE SAN FRANCISCO BAY AREA.

NEXT STEPS

See a video case study on Zeus Nestora at cisco.com/go/iq-subway.

Learn more about applications that run on IP phones at cisco.com/go/iq-apps.

Get information about Cisco Unified Communications for SMBs at cisco.com/go/iq-smbunifiedcomm.

Find Cisco Technology Developer Partners that create IP phone applications at cisco.com/go/iq-techdevpartners.

Locate Cisco resellers at cisco.com/go/iq-partnerlocator.

Use the Advanced Search function to find those that specialize in IP communications solutions.

Read about other IP technologies used by SMB retailers in “Time is Money” on page 55.

FROM CISCO

SATISFACTION: SMART BUSINESS ROADMAP POINTS THE WAY

As Zeus Nestora’s experience demonstrates, every business has its own special challenges, and technology can play a role—sometimes an unexpected one—in overcoming them. To help small and medium-sized businesses understand how technology can satisfy their business needs, Cisco developed the Smart Business Roadmap, a strategy for taking advantage of today’s technology opportunities and maximizing the potential of technology investments as a business grows.

The starting point for the Smart Business Roadmap is the Smart Business Assessment Tool, an interactive, Web-based series of questions in four areas:

cost containment, operational efficiency, customer responsiveness, and security. You rate both the importance of a capability and your company’s preparedness. For example, for cost containment, you answer questions about employee productivity, customer self-service, changing business needs, and business processes. The tool takes only a few minutes to deliver a customized report.

Once the assessment is complete, you can use the Smart Business Roadmap to identify appropriate technology, compare service and support options, choose financing packages, and find local certified resellers.

The Smart Business Roadmap is designed to help you choose technology with expansion or upgrade potential, so the money you spend now will benefit your organization well into the future. It tracks technology in three phases: foundation, growth, and optimization. The phases represent setting up a secure network infrastructure, expanding into advanced technologies such as unified communications, and fine-tuning efficiency with specific applications.

To read about companies that have succeeded with the Roadmap, and to take the Smart Business Assessment, visit cisco.com/go/iq-youinc-sbr.—F.S.