

# KPI Metrics Assessment







FOOD AND BEVERAGE





● Current ● Potential

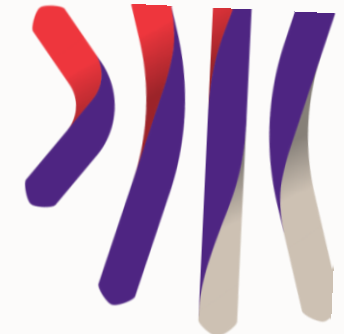
# NetSuite KPI Assessment – RESTAURANTS Industry Benchmarks

FUNCTIONAL AREA		KPI	BOTTOM TIER	MEDIAN	TOP TIER
	Restaurant in a Box	Revenue Growth	-37.8%	-24.1%	-5.6%
	Inventory Management	Cost of Goods Sold (COGS)	62.6%	40.2%	30%
	Procurement &	Days in Inventory	41 days	20 days	8 days
	Labor & Scheduling	Labor as a % of Revenue	36.3%	30%	24.1%
	Operations Management	Prime Cost	75.2%	62.9%	53.5%
★★★	Marketing, Loyalty & Guest	Net Promoter Score	< 30%	30%	35%
	Financials & Accounting	% Free Cash Flow	-8.9%	0.7%	9.4%

# The Metrics

KPI Definitions





# Metrics

## Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Revenue Growth	<p>How fast the company is growing, measured by Total Revenue. A measure of expansion – especially compared to other companies in the same industry. Faster than others is better.</p> <p>Revenue growth (for example Quarterly) is an increase in a company's sales when compared to a previous quarter's revenue performance.</p> <p>The current quarter's sales figure can be compared on a year-over-year basis or sequentially. This helps to give analysts, or investors an idea of how much a company's sales are increasing over time.</p>	<p>This year's Revenue divided by Last Year's Revenue for the same period of time.</p> <p>For example, first six months of 2016 divided by first six months of 2015)</p> <p>e.g.: \$105M Revenue this year divided by \$100M Revenue last year = 105%. Revenue growth is 5%.</p>
Cost of Goods Sold (COGS)	<p>Cost of goods sold (COGS) refers to the direct costs of producing the goods sold by a company. This amount includes the cost of the materials and labor directly used to create the good. It excludes indirect expenses, such as distribution costs and sales force costs.</p> <p>COGS only applies to those costs directly related to producing goods intended for sale.</p>	<p>COGS = Beginning Inventory plus Purchases During the Period minus Ending Inventory</p> <p>e.g. Beginning inventory recorded on the fiscal year ended 2015 = \$2.72 billion; Ending inventory recorded on the fiscal year ended 2016 = \$2.85 billion; Purchases during 2016 of \$8.2 billion</p> <p><math>\\$2.72 + 8.2 - 2.85 = \\$8.07</math> billion</p>
Days in Inventory	<p>The average time in days that a restaurant takes to turn its inventory into sales; the figure represents how many days a restaurant's current stock of inventory will last.</p>	<p>Average days in inventory is calculated by 365 days divided by Inventory Turnover Ratio.</p>



# Metrics

## Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Labor as a % of Revenue	Labor costs, or fully burdened labor costs, includes management salaries, hourly employee wages, benefits, payroll taxes, workers' compensation, health/medical insurance and other employee expenses.	<p>Divide the labor cost by gross sales and multiply the result by 100.</p> <p>e.g. gross sales equal \$500,000 and the labor cost totals \$140,000. Divide \$140,000 by \$500,000 and multiply by 100. Your employee labor percentage equals 28 percent.</p>
Prime Cost	<p>Prime cost is the total cost of sales plus total labor costs.</p> <p>Cost of sales is the combined cost of food and beverage products, as well as paper products in limited-service operations. May also include cost of merchandise sold. Cost of sales should be based on purchases plus the value of the inventory on hand at the beginning of the reporting period minus the value of the inventory at the end of the period.</p>	<p>Add total Cost of Sales (CoS) and total labor costs together to determine Prime Cost.</p> <p>Prime Cost = Total CoS + Total CoL</p> <p>e.g. A restaurant's total cost of sales for 1 month is \$20,000 and the total labor cost is \$15,000, resulting in a Prime Cost of \$35,000.</p> <p>Prime cost as a percentage of sales is calculated by dividing the Prime Cost by Total Sales.</p> <p>e.g. Total sales for the month are \$60,000.</p> <p>Prime Cost / Total Sales = Prime Cost as % of Sales</p> <p>\$35,000 / \$60,000 = 58%</p>



# Metrics

## Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Net Promoter Score	The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of guests to recommend a company's products or services to others. It is used as a proxy for gauging the guest's overall satisfaction with a company's product or service and the customer's loyalty to the brand. It serves as an alternative to traditional guest satisfaction research and is claimed to be correlated with revenue growth.	NPS score is calculated by subtracting the percentage of Detractors from the percentage of Promoters.  e.g. if 10% of respondents are Detractors, 20% are Passives and 70% are Promoters, the NPS score would be $70 - 10 = 60$ .
% Free Cash Flow	<p>Free cash flow is the cash a company produces through its operations, less the cost of expenditures on assets. In other words, free cash flow (FCF) is the cash left over after a company pays for its operating expenses and capital expenditures, also known as CAPEX.</p> <p>Free cash flow is an important measurement since it shows how efficient a company is at generating cash. Investors use free cash flow to measure whether a company might have enough cash, after funding operations and capital expenditures, to pay investors through dividends and share buybacks.</p>	<p>To calculate FCF, from the cash flow statement, locate the item cash flow from operations (also referred to as "operating cash" or "net cash from operating activities"), and subtract the capital expenditure required for current operations.</p> <p>e.g. A restaurant's cash flow from operating activities is \$20 million. The restaurant's operational expenditures are \$17 million and capital expenditures are \$2 million.</p> <p><math>\\$20,000,000 - (\\$17,000,000 + \\$2,000,000) = \\$1,000,000</math> Free Cash Flow</p>

# Thank You