# Restaurant KPI's

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## I. INTRODUCTION

**T**HIS is a report from the Business Intelligence team to present the *Key Performance Indicators* (**KPI's**). These are measurable data points to help show that the restaurant is on track to meeting its goals. They help to prioritize the areas in which it should be payed more attention and focus accordingly [1].

## II. SALES AND PROFITABILITY

1. **Cash flow:** this is the amount of money that's going in and out of the restaurant and how much cash we have on hand. To calculate cash flow:

$$Cash\ flow = Ending\ cash - Beginning\ cash \tag{1}$$

2. **Cost of goods sold:** (or CoGS) helps to measure the amount of money that goes into buying supplies and good ingredients for the menu items. To calculate it:

$$CoGS = Beginning\ inventory + Purchases\ during\ the\ period - Ending\ inventory \tag{2}$$

3. **Labour cost percentage:** it helps to measure the costs against sales so we can get a stronger sense of how we can manage our restaurant's outgoings more effectively. If this is calculated properly, we can trigger notifications and make adjustments proactively. For labour cost percentage:

$$Labour\ cost\ percentage = \frac{Amount\ spent}{Total\ sales} * 100 \tag{3}$$

4. **Revenue per available seat hour:** usually referred to as RevPASH is a daily or hourly calculation which takes time into account when calculating how effectively each seat in the restaurant is driving revenue. To compute it:

$$RevPASH = \frac{Overall\ revenue}{Seats\ available} * Open\ hours \tag{4}$$

5. **Average table occupancy:** it tells how many customers on average visited your restaurant during a particular period of time. To measure it:

$$Average\ table\ occupancy = \frac{Number\ of\ occupied\ tables}{Total\ number\ of\ available\ tables} \tag{5}$$

6. **Spend per head:** this metric tells how much shoppers spend on the restaurant on average. To find it:

$$Spend\ per\ head = \frac{Total\ revenue}{Number\ of\ customers} \tag{6}$$

7. **Break even point:** it measures the sales volume required to make back an investment. Break-even point is a crucial metric when considering any substantial investment [2]. It is calculated as:

$$Break\ even\ point = \frac{Total\ fixed\ costs}{(Total\ sales - Total\ variable\ costs)\,/Total\ sales} \tag{7}$$

8. **Gross profit:** it tells how much money the restaurant is making after the cost of goods sold [2]. To calculate gross profit, subtract the CoGS from the revenue.

$$Gross\ profit = Total\ sales - CoGS \tag{8}$$

9. **Prime cost:** it makes up the majority of any restaurant's variable costs. Prime cost is found by adding total labor costs to the cost of goods sold. According to TheRestaurantExpert.com founder David Peters, the ideal prime cost in the restaurant industry is around 60-65 percent [2]. Figuring out how to decrease prime costs without sacrificing quality can lead to higher profits for restaurant owners.

$$Prime\ cost = Total\ labour\ costs + CoGS \tag{9}$$

$$Prime\ cost\ as\ \%\ of\ sales = \frac{Prime\ cost}{Total\ sales} \tag{10}$$

### III. Customer experience KPI's

1. **Online reviews:** the number of online reviews, as well as the average review scores on Google My Business, Facebook, Tripadvisor are also important metrics to monitor.
2. **Customer retention rate:** or CRT it is the percentage of customers we keep, relative to the number we had at the start of a set period of time. This KPI holds immense value when we consider the cost of acquiring new customers. To keep growing our restaurant, we need to make up for every customer we lose on top of attracting new customers. Our customer retention rate also helps us gauge how loyal our current customers are and, by association, how good our customer service is. To calculate it:

$$CRT = \frac{\textit{\# Customers at the end of a period} - \textit{\# New customers acquired in that period}}{\textit{Number of customers at the start of that period}} * 100 \qquad (11)$$

**Note:** the Customer Experience KPI's are mentioned here but they are calculated by the marketing team.

### References

[1] J. Tanskanen, "Kpis for restaurant managers," 2004-2020, [Accesed Nov 28, 2020]. [Online]. Available: https://www.planday.com/blog/use-these-kpis-to-measure-your-restaurants-success/

[2] J. Biel, "Top 7 benchmark kpis every restaurant owner should measure," 2020, [Accesed Nov 28, 2020]. [Online]. Available: https://www.netsuite.com/portal/business-benchmark-brainyard/industries/articles/retail/top-7-benchmark-kpis-every-restaurant-owner-should-measure.shtml