



# Restaurant Numbers

---

What Every Operator Should Know About  
Managing the Financial Side of the Restaurant

---

**Part 1:**

Introduction – How to Evaluate  
Your Restaurant's Profitability

---

## About the Author

---

# Jim Laube



Jim Laube works with independent restaurant operators who want practical advice to improve their business management practices to build a more profitable restaurant and valuable business.

Jim began his restaurant career at the age of 15 working for a quick-service restaurant and earned his way through college as a server and bartender. After earning his degree, he worked for a regional restaurant chain and an independent fine dining restaurant. In these organizations he held positions in both the operational and financial areas as a restaurant manager, controller and chief financial officer.

As an author, Jim is a contributor to Restaurant Startup & Growth, Restaurant Hospitality, Nations Restaurant News, Foodservice.com, Pizza Today, the Society for Foodservice Management's "SFM Source," and American Express' Briefing newsletter.

Jim is also the creator and publisher of **RestaurantOwner.com**, an extensive web site specifically for independent restaurant operators. It features business management resources in the form of streaming, Flash-animated, multimedia training programs as well as articles, business tools, downloadable forms, report templates, checklists, sample restaurant business plans and a wide variety of restaurant operating procedures. It is one of the most popular restaurant sites on the World Wide Web.

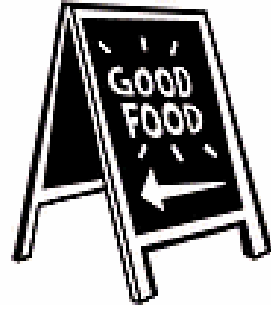
During the past 10 years, Jim has conducted over 500 presentations to thousands of restaurant professionals in the U.S., Canada and Europe. His clients include Red Lobster, Papa John's Pizza, KFC, Marriott, Hard Rock Café, Cornell University, Aramark, the National Restaurant Association and many state restaurant associations.

### **RestaurantOwner.com**

9801 Westheimer, Suite 302 • Houston, Texas 77042  
281-545-9230  
[www.RestaurantOwner.com](http://www.RestaurantOwner.com)



# CASE STUDY: Bay Street Grill



Bay Street Grill has been a loyal customer since it opened around a year and a half ago. It is a full-menu table service restaurant located near the central business district in close proximity to a number of other popular dining spots, museums and specialty retail stores. It features a varied, American style menu and is open for lunch and dinner 7 days a week.

Recently the restaurant completed it's first full calendar year of operations.

Additional information:

Total square feet - 4,500

Total seating - 180

Land & Building - 10 year lease with 2-5 year options

You're a good friend of the chef and owner. Because of your experience in the restaurant business, he wants to get your perspective on how his restaurant is doing financially?

Where would you begin?

***"The difference between well managed companies and not so well managed companies is the degree of attention they pay to the numbers."***

-- Harold Geneen, Former Chairman IT&T

# Evaluating & Assessing Restaurant Profit Potential

Begin by calculating and comparing . . .

## Sales Per Square Foot

$$\text{Sales Per Square Foot} = \frac{\text{Annual Sales}}{\text{Total Square Footage}}$$

### Restaurant Industry Guidelines:

|                 | Full Service | Quick Service |
|-----------------|--------------|---------------|
| Losing Money    | _____        | _____         |
| Break-even      | _____        | _____         |
| Moderate Profit | _____        | _____         |
| High Profit     | _____        | _____         |

Also consider the potential impact of -

- Participation and compensation of owners
- Days & hours of operation
- Occupancy costs - lease terms, property taxes

BAY STREET GRILL  
PROFIT AND LOSS STATEMENT  
For The Year Ended December 31

|                            |                |              |
|----------------------------|----------------|--------------|
| SALES                      |                |              |
| Food                       | \$1,302,156.00 |              |
| Beverage                   | 298,407.00     |              |
| TOTAL                      |                | 1,600,563.00 |
| COST OF SALES              |                |              |
| Food                       | 417,992.08     |              |
| Beverages                  | 83,113.21      |              |
| TOTAL                      |                | 501,105.28   |
| GROSS PROFIT               |                | 1,099,457.72 |
| EXPENSES                   |                |              |
| Advertising                | 12,943.80      |              |
| Bank charges               | 458.80         |              |
| Building repairs           | 3,485.00       |              |
| Cash (over)/short          | 755.28         |              |
| Cleaning supplies          | 9,215.70       |              |
| Complimentary meals        | 10,574.82      |              |
| Coupon discounts           | 7,849.00       |              |
| Credit card charges        | 26,889.12      |              |
| Depreciation               | 29,761.90      |              |
| Electrical                 | 28,101.60      |              |
| Equipment repairs          | 5,348.47       |              |
| Exterminating              | 1,258.47       |              |
| FICA & other taxes         | 40,824.91      |              |
| Gas                        | 6,578.50       |              |
| Group insurance            | 9,474.00       |              |
| Interest                   | 43,430.80      |              |
| Kitchenware                | 9,941.80       |              |
| Laundry                    | 13,415.58      |              |
| Miscellaneous              | 5,949.60       |              |
| Music & entertainment      | 10,458.80      |              |
| Other operating expenses   | 9,463.68       |              |
| Paper supplies             | 15,215.74      |              |
| Payroll                    | 420,875.40     |              |
| Postage                    | 938.84         |              |
| Printing & office supplies | 5,487.10       |              |
| Professional fees          | 11,582.60      |              |
| Promotions                 | 3,689.40       |              |
| Property insurance         | 27,859.00      |              |
| Real estate taxes          | 48,258.80      |              |
| Rent                       | 149,589.04     |              |
| Royalties to ASCAP         | 3,915.80       |              |
| Serviceware                | 7,305.69       |              |
| State franchise taxes      | 8,439.00       |              |
| Telephone & fax            | 5,881.80       |              |
| Trash removal              | 6,576.00       |              |
| Uniforms                   | 5,124.80       |              |
| Workman's compensation     | 21,885.52      |              |
| TOTAL EXPENSES             |                | 1,028,804.17 |
| NET INCOME BEFORE TAXES    |                | \$ 70,653.54 |

| SALES PER<br>SQUARE FOOT |
|--------------------------|
|                          |

| NET INCOME<br>PERCENTAGE |
|--------------------------|
|                          |

# Industry Standard P&L Format

## **BAY STREET GRILL**

### **PROFIT & LOSS STATEMENT**

*For The Year Ended December 31*

#### **SALES**

|                    |                  |               |
|--------------------|------------------|---------------|
| Food               | \$ 1,302,156     | 81.4%         |
| Beverage           | 298,407          | 18.6%         |
| <b>TOTAL SALES</b> | <b>1,600,563</b> | <b>100.0%</b> |

#### **COST OF SALES**

|                            |                |              |
|----------------------------|----------------|--------------|
| Food                       | 417,992        | 32.1%        |
| Beverage                   | 83,113         | 27.9%        |
| <b>TOTAL COST OF SALES</b> | <b>501,105</b> | <b>31.3%</b> |

#### **GROSS PROFIT**

1,099,458 68.7%

#### **CONTROLLABLE EXPENSES**

|                                    |                |              |
|------------------------------------|----------------|--------------|
| Salaries & Wages                   | 420,875        | 26.3%        |
| Employee Benefits                  | 72,184         | 4.5%         |
| Direct Operating Expenses          | 70,941         | 4.4%         |
| Music & Entertainment              | 14,375         | 0.9%         |
| Marketing                          | 35,057         | 2.2%         |
| Utilities                          | 41,256         | 2.6%         |
| General & Administrative Expenses  | 57,943         | 3.6%         |
| Repairs & Maintenance              | 8,833          | 0.6%         |
| <b>TOTAL CONTROLLABLE EXPENSES</b> | <b>721,466</b> | <b>45.1%</b> |

#### **CONTROLLABLE INCOME**

377,992.09 23.6%

#### **OCCUPANCY COSTS**

|                              |                |              |
|------------------------------|----------------|--------------|
| Rent                         | 149,589        | 9.3%         |
| Property Taxes               | 48,259         | 3.0%         |
| Other Taxes                  | 8,439          | 0.5%         |
| Property Insurance           | 27,859         | 1.7%         |
| <b>TOTAL OCCUPANCY COSTS</b> | <b>234,146</b> | <b>14.6%</b> |

#### **INCOME BEFORE INT. & DEP.**

143,846.25 9.0%

|              |        |      |
|--------------|--------|------|
| Interest     | 43,431 | 2.7% |
| Depreciation | 29,762 | 1.9% |

#### **INCOME BEFORE INCOME TAXES**

**\$ 70,654 4.4%**

# THE NATIONAL RESTAURANT ASSOCIATION

# UNIFORM SYSTEM OF

# ACCOUNTS

The National Restaurant Association's Uniform System of Accounts is the recognized standard for the presentation of financial information in the foodservice industry. It provides a foodservice industry-specific approach to the . . .

- **preparation**
- **presentation**
- **interpretation**

. . . of financial information in a foodservice environment.

Every foodservice operation has problems. "THE NUMBERS" should tell you where your problems are, and how worried you should be.

# Critical P&L Check Points

## **BAY STREET GRILL**

### **PROFIT & LOSS STATEMENT**

*For The Year Ended December 31*

#### **SALES**

|                    |                  |               |
|--------------------|------------------|---------------|
| Food               | \$ 1,302,156     | 81.4%         |
| Beverage           | 298,407          | 18.6%         |
| <b>TOTAL SALES</b> | <b>1,600,563</b> | <b>100.0%</b> |

#### **COST OF SALES**

|                            |                |              |
|----------------------------|----------------|--------------|
| Food                       | 417,992        | 32.1%        |
| Beverage                   | 83,113         | 27.9%        |
| <b>TOTAL COST OF SALES</b> | <b>501,105</b> | <b>31.3%</b> |

#### **GROSS PROFIT**

1,099,458 68.7%

#### **CONTROLLABLE EXPENSES**

|                                    |                |              |
|------------------------------------|----------------|--------------|
| Salaries & Wages                   | 420,875        | 26.3%        |
| Employee Benefits                  | 72,184         | 4.5%         |
| Direct Operating Expenses          | 70,941         | 4.4%         |
| Music & Entertainment              | 14,375         | 0.9%         |
| Marketing                          | 35,057         | 2.2%         |
| Utilities                          | 41,256         | 2.6%         |
| General & Administrative Expenses  | 57,943         | 3.6%         |
| Repairs & Maintenance              | 8,833          | 0.6%         |
| <b>TOTAL CONTROLLABLE EXPENSES</b> | <b>721,466</b> | <b>45.1%</b> |

#### **CONTROLLABLE PROFIT**

**377,992 23.6%**



#### **OCCUPANCY COSTS**

|                              |                |              |
|------------------------------|----------------|--------------|
| Rent                         | 149,589        | 9.3%         |
| Property Taxes               | 48,259         | 3.0%         |
| Other Taxes                  | 8,439          | 0.5%         |
| Property Insurance           | 27,859         | 1.7%         |
| <b>TOTAL OCCUPANCY COSTS</b> | <b>234,146</b> | <b>14.6%</b> |

#### **INCOME BEFORE INT. & DEP.**

143,846 9.0%

|              |        |      |
|--------------|--------|------|
| Interest     | 43,431 | 2.7% |
| Depreciation | 29,762 | 1.9% |

#### **INCOME BEFORE INCOME TAXES**

**\$ 70,654 4.4%**



# Restaurant Industry: Operating Standards & Averages

## CONTROLLABLE PROFIT

$$\text{Controllable Profit \%} = \frac{\text{Controllable Profit}}{\text{Total Sales}}$$

| <u>Full<br/>Service</u> | <u>Quick<br/>Service</u> |
|-------------------------|--------------------------|
| _____                   | _____                    |

**"Controllable Profit" is a good indicator of how well management is managing. There is generally a direct correlation between management's operating abilities and "Controllable Profit".**

# Critical P&L Check Points

|  |                   |               |
|--|-------------------|---------------|
| <b>SALES</b>                                   |                   |               |
| Food   | \$ 1,302,156      | 81.4%         |
| Liquor   | 154,235           | 9.6%          |
| Beer   | 108,411           | 6.8%          |
| Wine   | 35,761            | 2.2%          |
| <b>TOTAL SALES</b>                             | <b>1,600,563</b>  | <b>100.0%</b> |
| <b>COST OF SALES</b>                           |                   |               |
| Food   | 417,992           | 32.1%         |
| Liquor   | 40,872            | 26.5%         |
| Beer   | 28,187            | 26.0%         |
| Wine   | 14,054            | 39.3%         |
| <b>TOTAL COST OF SALES</b>                     | <b>501,105</b>    | <b>31.3%</b>  |
| <b>GROSS PROFIT</b>                            | <b>1,099,458</b>  | <b>68.7%</b>  |
| <b>CONTROLLABLE EXPENSES</b>                   |                   |               |
| <b>Payroll -</b>                               |                   |               |
| Management                                     | 126,840           | 7.9%          |
| Store Personnel                                | 294,035           | 18.4%         |
| Payroll Taxes & Benefits                       | 72,184            | 4.5%          |
| <b>Total Payroll</b>                           | <b>493,060</b>    | <b>30.8%</b>  |
| <b>PRIME COST</b>                              | <b>994,165</b>    | <b>62.1%</b>  |
| <b>Direct Operating Expenses -</b>             |                   |               |
| Cleaning supplies                              | 9,216             | 0.6%          |
| Exterminating                                  | 1,258             | 0.1%          |
| Kitchenware                                    | 9,942             | 0.6%          |
| Laundry  | 13,416            | 0.8%          |
| Other operating expenses                       | 9,464             | 0.6%          |
| Paper supplies                                 | 15,216            | 1.0%          |
| Serviceware                                    | 7,306             | 0.5%          |
| Uniforms                                       | 5,125             | 0.3%          |
| <b>Total Direct Operating Expenses</b>         | <b>70,941</b>     | <b>4.4%</b>   |
| <b>Music &amp; Entertainment -</b>             |                   |               |
| Professional entertainers                      | 10,459            | 0.7%          |
| Royalties to ASCAP                             | 3,916             | 0.2%          |
| <b>Total Music &amp; Entertainment</b>         | <b>14,375</b>     | <b>0.9%</b>   |
| <b>Marketing -</b>                             |                   |               |
| Advertising                                    | 12,944            | 0.8%          |
| Coupon discounts                               | 18,424            | 1.2%          |
| Promotions                                     | 3,689             | 0.2%          |
| <b>Total Advertising &amp; Promotion</b>       | <b>35,057</b>     | <b>2.2%</b>   |
| <b>Utilities -</b>                             |                   |               |
| Electrical                                     | 28,102            | 1.8%          |
| Gas  | 6,579             | 0.4%          |
| Trash removal                                  | 6,576             | 0.4%          |
| <b>Total Utilities</b>                         | <b>41,256</b>     | <b>2.6%</b>   |
| <b>Administrative &amp; General Expenses -</b> |                   |               |
| Bank charges                                   | 459               | 0.0%          |
| Cash (over)/short                              | 755               | 0.0%          |
| Credit card charges                            | 26,889            | 1.7%          |
| Miscellaneous                                  | 5,950             | 0.4%          |
| Postage  | 939               | 0.1%          |
| Printing & office supplies                     | 5,487             | 0.3%          |
| Professional fees                              | 11,583            | 0.7%          |
| Telephone & fax                                | 5,882             | 0.4%          |
| <b>Total Administrative &amp; General</b>      | <b>57,943</b>     | <b>3.6%</b>   |
| <b>Repairs &amp; Maintenance -</b>             |                   |               |
| Building repairs                               | 3,485             | 0.2%          |
| Equipment repairs                              | 5,348             | 0.3%          |
| <b>Total Repairs &amp; Maintenance</b>         | <b>8,833</b>      | <b>0.6%</b>   |
| <b>CONTROLLABLE PROFIT</b>                     | <b>\$ 377,992</b> | <b>23.6%</b>  |

# Restaurant Industry: Operating Standards & Averages

## PRIME COST

$$\text{Prime Cost Ratio} = \frac{\text{Cost of Sales} + \text{Payroll Costs}}{\text{Total Sales}}$$

Full Service \_\_\_\_\_

Quick Service \_\_\_\_\_

**"Prime Cost" reflects expenses where operators have the highest exposure for losses and the greatest opportunities to impact profitability in the short term.**

# Critical P&L Check Points

## **BAY STREET GRILL**

### **PROFIT & LOSS STATEMENT**

*For The Year Ended December 31*

#### **SALES**

|                    |                  |               |
|--------------------|------------------|---------------|
| Food               | \$ 1,302,156     | 81.4%         |
| Beverage           | 298,407          | 18.6%         |
| <b>TOTAL SALES</b> | <b>1,600,563</b> | <b>100.0%</b> |

#### **COST OF SALES**

|                            |                |              |
|----------------------------|----------------|--------------|
| Food                       | 417,992        | 32.1%        |
| Beverage                   | 83,113         | 27.9%        |
| <b>TOTAL COST OF SALES</b> | <b>501,105</b> | <b>31.3%</b> |

#### **GROSS PROFIT**

1,099,458 68.7%

#### **CONTROLLABLE EXPENSES**

|                                    |                |              |
|------------------------------------|----------------|--------------|
| Payroll                            | 420,875        | 26.3%        |
| Employee Benefits                  | 72,184         | 4.5%         |
| Direct Operating Expenses          | 70,941         | 4.4%         |
| Music & Entertainment              | 14,375         | 0.9%         |
| Marketing                          | 35,057         | 2.2%         |
| Utilities                          | 41,256         | 2.6%         |
| Administrative & General Expenses  | 57,943         | 3.6%         |
| Repairs & Maintenance              | 8,833          | 0.6%         |
| <b>TOTAL CONTROLLABLE EXPENSES</b> | <b>721,466</b> | <b>45.1%</b> |

#### **INCOME BEFORE OCCUPANCY COSTS**

**377,992 23.6%**

#### **OCCUPANCY COSTS**

|                    |         |      |
|--------------------|---------|------|
| Rent               | 149,589 | 9.3% |
| Property Taxes     | 48,259  | 3.0% |
| Other Taxes        | 8,439   | 0.5% |
| Property Insurance | 27,859  | 1.7% |

#### **TOTAL OCCUPANCY COSTS**

**234,146 14.6%**

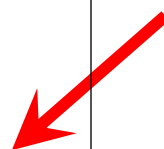
#### **INCOME BEFORE INT. & DEP.**

143,846 9.0%

|              |        |      |
|--------------|--------|------|
| Interest     | 43,431 | 2.7% |
| Depreciation | 29,762 | 1.9% |

#### **INCOME BEFORE INCOME TAXES**

**\$ 70,654 4.4%**



# Foodservice Industry: Operating Standards & Averages

## OCCUPANCY COSTS

Occupancy costs include -

- Rent (fixed, minimum and percentage)
- Ground rent
- Equipment rental
- Real estate taxes
- Personal property taxes
- Other municipal taxes
- Insurance on building and contents

$$\text{Occupancy Cost Ratio} = \frac{\text{Total Occupancy Costs}}{\text{Total Sales}}$$

|                    | <u>Bay</u><br><u>Street Grill</u> | <i>Industry Guidelines *</i> |                |             |
|--------------------|-----------------------------------|------------------------------|----------------|-------------|
|                    |                                   | <u>Low</u>                   | <u>Average</u> | <u>High</u> |
| % of TTL Sales     | _____                             | below 5%                     | 7% to 8%       | above 10%   |
| \$ Per Square Foot | _____                             | below \$10                   | \$14 to \$20   | above \$25  |
| \$ Per Seat        | _____                             | below \$150                  | \$250 to \$450 | above \$700 |

- For Full-Menu Tableservice Restaurants

### Industry Guidelines For Quick Service Restaurants

|                    | <u>Low</u> | <u>Average</u> | <u>High</u> |
|--------------------|------------|----------------|-------------|
| % of Total Sales   | below 5%   | 7% to 9%       | above 11%   |
| \$ Per Square Foot | below \$12 | \$15 to \$25   | above \$30  |

# Recap:

# Troubleshooting the P&L

---

|  | <u>KEY INDICATOR</u>                                  |
|--|---|
| <b>ISSUE #1</b> How much money should we be making?            | Sales Per Square Foot                                 |
| <b>ISSUE #2</b> How well is management managing?               | Income Before Occupancy Costs % (Controllable Profit) |
| <b>ISSUE #3</b> Are our most important cost areas out of line? | Prime Cost %  |
| <b>ISSUE #4</b> Are occupancy costs too high?                  | Occupancy Cost %, Per Seat, Per Square Foot           |

## Only the numbers . . .

- can tell you how well (or how bad) you are doing
- show you where you need to focus your attention
- give you a tool to identify and solve problems
- let you see how everyone's day to day actions impact the restaurant's success



# Restaurant Numbers

Ideas You Can Use

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_

*“The difference between well managed companies and not so well managed companies is the degree of attention they pay to the numbers”.*

-- Harold Geneen