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KEY METRICS

FOR SUCCESSFUL HOSPITALITY BUSINESSES

goRoster

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Metric #1

THE WAGE COST

There is one lone figure that carries a substantial amount of weight - so important, that it can be used to make a judgement call on whether it's been a successful week for a hospitality business.

The Wage Cost.

"A figure that denotes all of the wages a business pays to its employees, as well as the cost of all employee benefits and additional costs. " (1)

There's a common and somewhat dated business saying "you can't manage what you can't measure". Whilst undoubtedly accurate, I think it's possible to develop this mantra into something a little more transparent. Something that really gets to the nitty gritty of great business acumen.

- What is it that you are **actually** measuring?
- And, are you measuring all the **right** things?

It is not unnatural for this figure to vary significantly from business to business. From our years of experience dealing with major hospitality chains right through to the smaller outfits – a wage cost figure can commonly sit anywhere in between 20% and 40%. There is no right or wrong figure. Again, it's relative to your overall business goals.

The wage cost is often not a simple figure to accurately calculate. Additional costs, such as superannuation, accrued leave entitlements etc, always have to be considered. But by paying attention to the detail, come the end of the financial year – your accounts team will be sitting happy. Secure in the knowledge that all employee benefits and taxes were accounted for right from the beginning.

The result? Increased validity, transparency and clarity about how you're really financially tracking as a business.

Metric #2

TURNOVER

Turnover *– "The total gross sales for a given period"*

Experienced Hospitality operators understand that the day to day turnover figure is extremely difficult to predict.

We've spoken with thousands of hospitality organisations over the years and have noticed that whilst many operators simply accept the fluctuations and simply try to be reactive to them, the more successful ventures understand that there are huge benefits to developing a discipline and strategy around estimating potential turnover.

When such a strategy is implemented, practiced repeatedly and adjusted accordingly, these businesses are in a great position to make truly educated guesses surrounding their future financial performance. There's no doubt that this is a somewhat difficult practice to master, however our experience has shown us that the rewards are truly worth it.

Here are some things to consider when your hospitality business is considering its future turnover:

1. Past performance – What do we normally turnover this time of year?
2. Trends – Are we trending consistently up or down against the same period last year?
3. Local events – What is happening at the local stadium? And will the local team likely win that rugby game?
4. Changes in competition – Are there new operators in our area competing with us?
5. The weather forecast – How much do we normally drop in turnover on a wet day to a sunny day?
6. Promotions – Are we offering a two for one deal tonight?
7. General economic conditions – Are people feeling confident about spending money?
8. Holidays – Is there a public holiday? Is there one coming up that people may save money for?
9. Pricing – Has our pricing changed?

It's vital to understand that each individual location will have its own list of influencing factors.

So why not get started building your list? Once mastered, your hospitality business can only benefit from it!

Metric #3

ESTIMATES .VS. ACTUALS

You've got your plan in place. You've checked the weather, looked at the odds of the local team smashing the visitors and even dropped into your local competitors and checked their latest offering. In fact you've never been more convinced that an outstanding weekend of massive fiscal success lies ahead. Yet come Monday the anticipation of triumph has waned. The turnover figures bring you back to earth with a shuddering thump. What went wrong? After all that planning effort why are we out of pocket by so much?

Yet come Monday the anticipation of triumph has waned. The turnover figures bring you back to earth with a shuddering thump. What went wrong? After all that planning effort why are we out of pocket by so much?

Estimating turnover is one of the most difficult things to master when running a Hospitality business.

In our last post we discussed some of the many things to consider when estimating your own numbers. Experience has shown us that, even with the best possible laid plans, sometimes it just goes completely wrong. Why? Because many of the contributing factors are completely beyond your control.

"The trick to mitigating these situations is simple; good old fashion diligence."

As a hospitality operator you must measure and understand what caused the difference. Knowing what went wrong and why will only serve you well for future planning. Failure to measure and acknowledge why your plans went awry will only lay the groundwork for further future failures and financial difficulty.

Estimate. Execute. Measure. Repeat.

Metric #4

WAGE COST .VS. TURNOVER

The final metric in our series is the Wage Cost vs Turnover which is often expressed as a percentage (the Wage Cost Percentage).Most hospitality operators are aware of this measure and, more often than not do take note of it, although this is more commonly examined after the game has been played.

We've spoken previously about how important we think it is to examine the Wage Cost Percentage not only after a week has been worked (a lag measure) but also before the rostered week has begun (a forward measure).
However no matter how you arrive at your number, there is one vital factor that we often find some operators fail to understand;

What happens when your Wage Cost Percentage is too low?

Whilst it's a fantastic achievement to get your costs down, the fact is that if your wage costs are far below industry norms it likely means that your business is providing bad service. In many cases very low wage cost percentages can indicate that your staff are simply not able to cope with the workload. It also means that some of your customers may not return.

So we recommend working hard on planning and efficiencies to keep your Wage Cost Percentage down low... but not too low!

Now's the time to start obtaining the financial data you never though you would have.

Better transparency

Greater visualisation

Clearer accountability

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