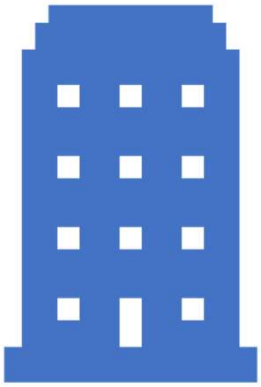

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Hospitality Finance A-Z

Complete Understanding of financial Reporting in hospitality Industry

F&B Revenue & Cost Management

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F&B Division

- Key Areas we will discuss in this Workshop are
  - F&B Operation Concepts
  - Covers & Revenue Analysis
    - Cover Analysis Report
    - Market Segment Report for Banqueting & Restaurants
  - Menu Engineering
  - Food & Beverage Cost
  - Potential Cost Reports
  - Cost Management tricks and ideas
  - FnB labour cost Management

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Things to Do before start

Silent Phones / No Social Media..
We will give short breaks for that

Like and Share our Page (eHotelManagementSchool)

Discussion only during discussion time.

Pls note questions to ask during QA Session

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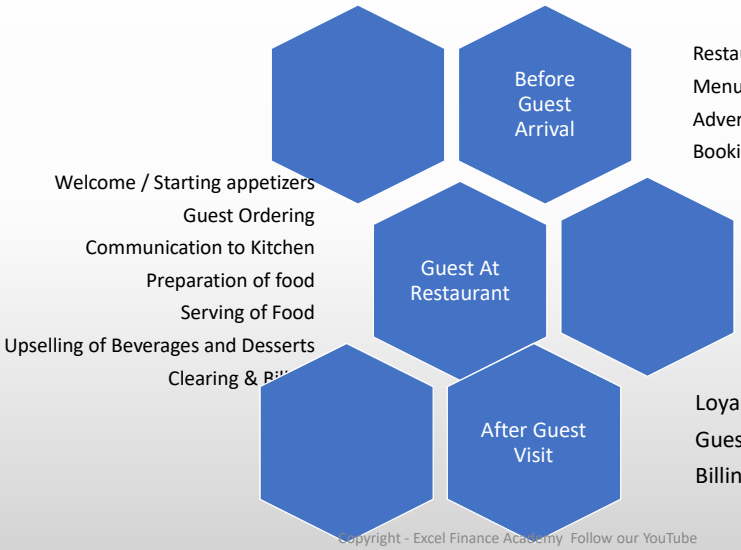
FnB Business Cycle



Restaurant Concept
Menu Design & Costing
Advertising & Marketing
Booking & Reservations

Welcome / Starting appetizers
Guest Ordering
Communication to Kitchen
Preparation of food
Serving of Food
Upselling of Beverages and Desserts
Clearing & Bi

Loyalty Programs
Guest Feedbacks and reviews
Billing for Banquets

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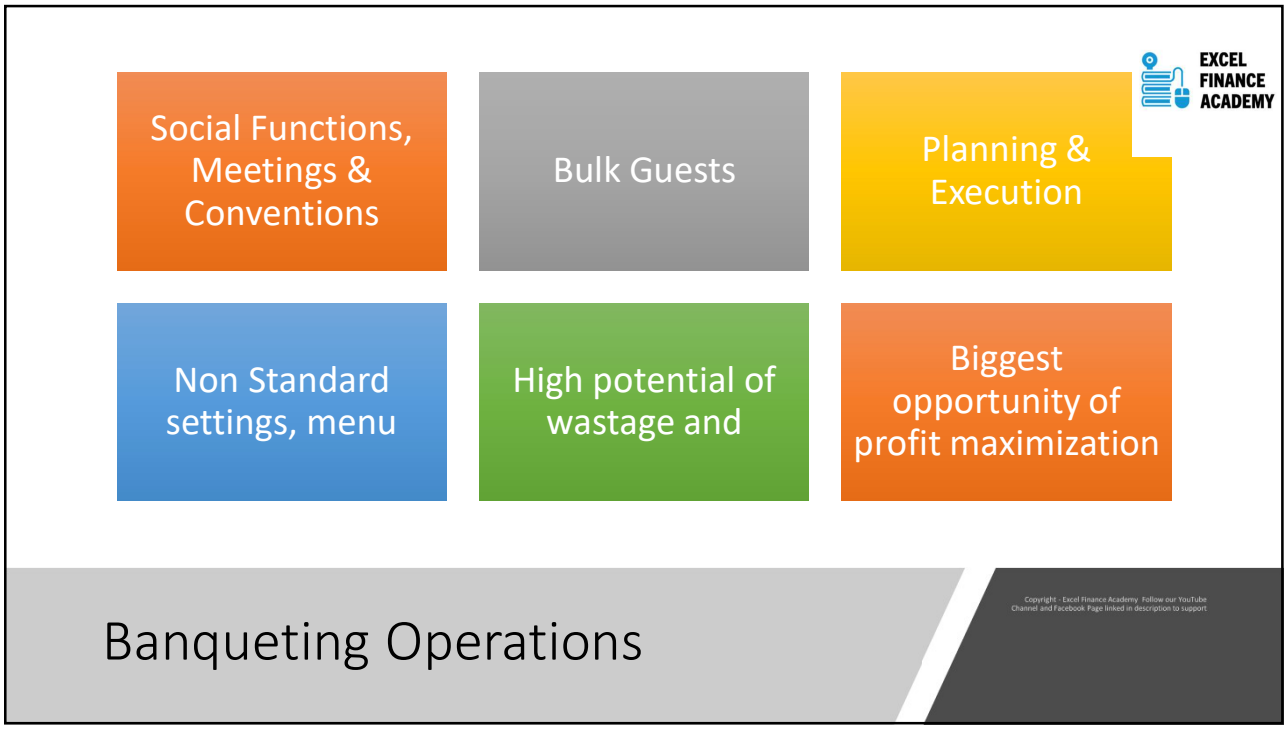
EXCEL FINANCE ACADEMY
Social Functions, Meetings & Conventions
Bulk Guests
Planning & Execution
Non Standard settings, menu
High potential of wastage and
Biggest opportunity of profit maximization
Banqueting Operations
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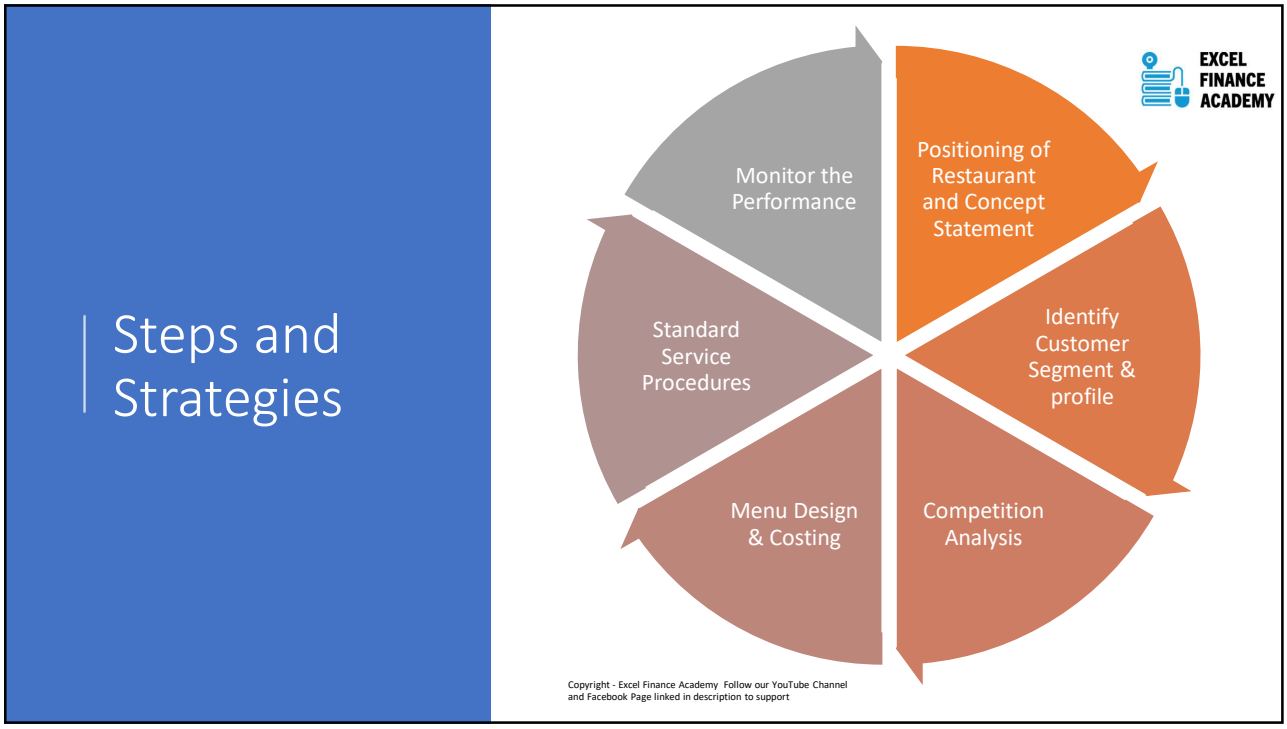
Steps and Strategies
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Positioning of Restaurant and Concept Statement
Identify Customer Segment & profile
Competition Analysis
Menu Design & Costing
Standard Service Procedures
Monitor the Performance
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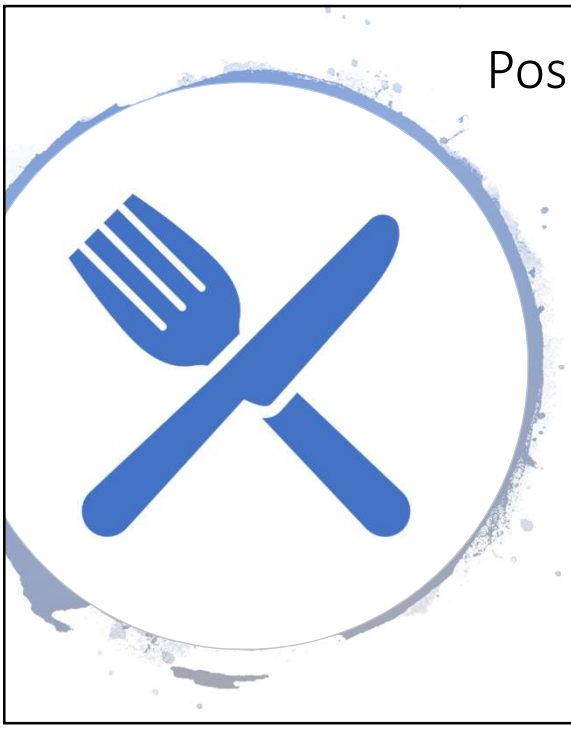
Positioning & Concept



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- Lower Income Range, Middle Income, High Income, Upscale
- Casual Dining, Fine Dining, Family style
- Cuisine Specialty
- Location Characteristics

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Customer Segmentation & Profiling

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- **How**
  - Businesses for Meetings
  - Families for Fun
  - Social Functions
  - Tourist Groups
- **Why**
  - Price Sensitivity
  - Service & Facility Requirements
- **Profile**
  - Age
  - Income Group
  - Habits, Mode of booking

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SWOT Analysis

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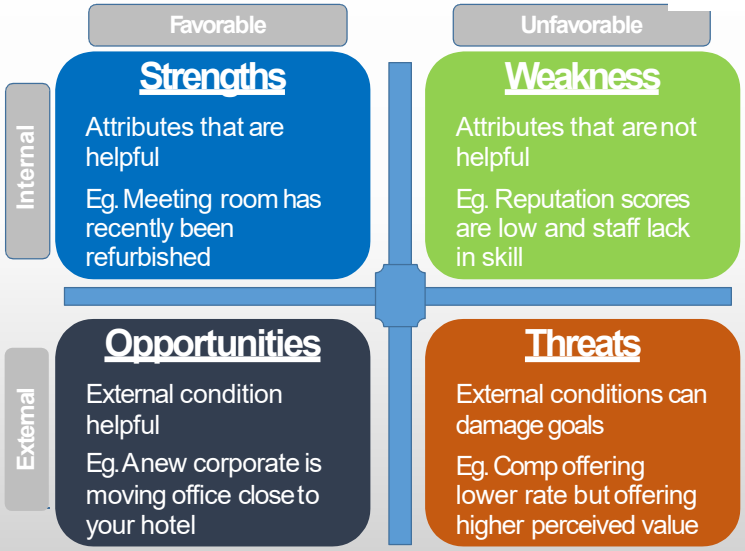
SWOT Analysis

While conducting a SWOT analysis

- Analyze the internal & external factors that affect hotel's goal of maximizing revenue
- Develop strategies that will improve your hotel's competitive position



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Menu Design Principals

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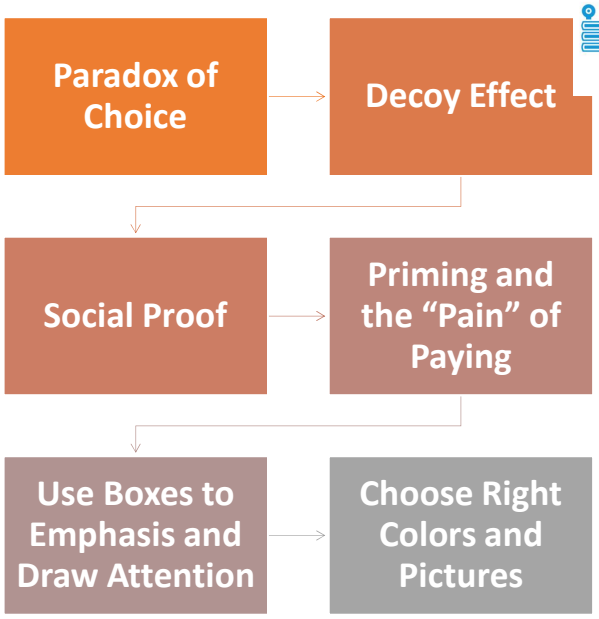

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Organization Setup

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F&B Division As a Whole

- Restaurants
  - Main Dining
  - Banquet
  - Room Service & Others
- Kitchens
  - Main Kitchen
    - Butchery
    - Commissary
    - Bakery
  - Restaurant Kitchens
    - Banquet Kitchen
- Stewarding
  - Hygiene
  - Marketing Department

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Monitor Performance

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Cover Analysis

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- Analysis of Covers by Meal Period
- Covers by Source- Inhouse / Outside
- Analysis of Covers by Booking Source
  - Corporates
  - Agents
  - Meetings
  - Weddings / Social Functions
- Nationality Breakdown (Possible via TMS)
- Revenue Per Seat / Per Sq Mtr

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Sample Report for Cover Analysis

Outlet Name	Covers	%	Revenue	%	Ave Check
InHouse Guest					
Breakfast	100	90.9%	500	87.7%	5.00
Lunch	50	71.4%	1,000	62.5%	20.00
Dinner	10	16.7%	200	12.5%	20.00
Total Inhouse Guest	**160**	**66.7%**	**1,700**	**45.1%**	**10.63**
Outside Guests					
Breakfast	10	9.1%	70	12.3%	7.00
Lunch	20	28.6%	600	37.5%	30.00
Dinner	50	83.3%	1,400	87.5%	28.00
Total Outside Guest	**80**	**33.3%**	**2,070**	**54.9%**	**25.88**
Total Covers					
Breakfast	110	45.8%	570	15.1%	5.18
Lunch	70	29.2%	1,600	42.4%	22.86
Dinner	60	25.0%	1,600	42.4%	26.67
Total Covers	**240**	**100.0%**	**3,770**	**100.0%**	**15.71**

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More Example of Cover & Revenue Analysis

YTD	Average Covers	% Share of Covers	Banquet Revenue ('000)	% Revenue Share	Covers Per SQM	Revenue Per SQM	Average Banquet Check	Revenue Index
1. Hotel A	101,074	15%	77,147	21%	25	19,082	763	1.44
2. Hotel B	87,820	13%	83,224	22%	42	39,839	948	1.55
3. Hotel C	8						962	1.58
4. Hotel D	8						701	1.07
5. Hotel E	15						482	1.36
Total	66							

	Banquet	SQM	Covers	Revenues	Average Check	Rev / SQM
	Hotel A	4,043	101,074	77,147,000	763.27	19,081.62
1	*Hotel B*	2,089	87,820	83,224,000	947.67	39,839.16
2	*Hotel C*	2,470	87,983	84,650,000	962.12	34,271.26
3	*Hotel D*	4,082	82,197	57,659,000	701.47	14,125.18
4	*Hotel E*	4,741	151,693	73,110,000	481.96	15,420.80
5	*Hotel F*	1,030	73,310	104,237,000	1,421.87	101,200.97

	Restaurant	No. of Seats	Covers	Revenues	Average Check	Rev / Seat
	HotelA	425	212,149	122,840,000	579.03	289,035.29
1	*Hotel B*	298	127,947	48,589,000	379.76	163,050.34
2	*Hotel C*	220	121,517	112,425,000	925.18	511,022.73
3						#DIV/0!
4						#DIV/0!
5						#DIV/0!

	Function Room	Area	%								M TD	Var	Var%
1	Room 1	1,360									87.31	-26,890.33	-40.6%
2	Room 2	117									2.51	-2,556.40	-52.1%
3	Room 3	160									15.20	-3,801.90	-15.2%
4	Room 4	111									23.63	5,868.93	62.1%
5	Room 5	122									6.54	-1,442.02	-19.6%
6	Room 6	169									04.72	-8,575.73	-21.6%
7	Room 7	137									7.97	-19,105.88	-90.3%
8	Room 8	95									22.76	12,005.66	142.6%
9	Room 9	125									74.25	-152.29	-1.1%
10	Room 10	125									3.74	-1,987.51	-21.1%
11	Room 11	53	2%	451,339	419,834	239,003	381,179	8,515.83	7,921.39	4,509.49	7,192.06	2,682.57	59.5%
12	Room 12	128	4%	64,664	705,860	236,534	543,679	505.19	5,514.53	1,847.93	4,247.49	2,399.57	129.9%
13	Room 13	139	4%	234,723	569,557	322,956	346,118	1,688.65	4,097.53	2,323.42	2,490.06	166.64	7.2%
14	Room 14	274	9%	1,887,750	3,092,017	1,587,182	2,445,978	6,899.67	11,301.23	5,801.10	8,939.98	3,138.88	54.1%
15	Room 15	91	3%	852,967	1,177,452	1,099,927	261,452	9,373.26	12,939.03	12,087.11	2,873.10	-9,214.01	-76.2%
	Total	3,206	100%	125,791,453	193,540,248	113,299,421	73,595,761	39,241.16	60,375.67	35,344.22	22,958.50	-12,385.72	-35.0%

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Latest Marketing Tectics

?

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F&B Cost & Contribution Margin

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- Menu Price = 100
- Menu Cost = 20
- Cost % = 20%
- Contribution = 80
- Contribution Margin = 80%

- Standard Cost = (Recipe cost)
- Potential Cost = Standard cost * items Sold
- Actual Cost = Opening Stock + purchase – Closing Stock

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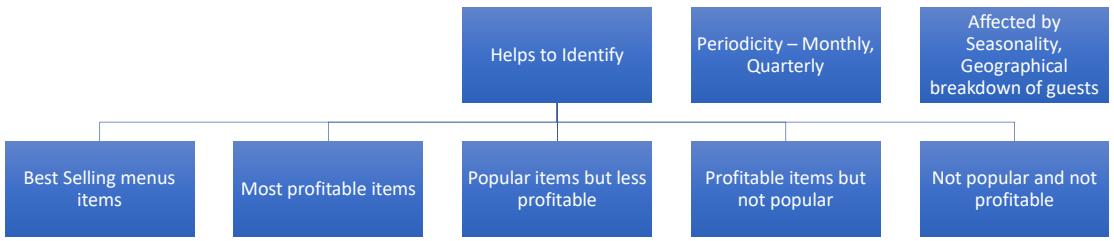

Menu Engineering

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A	B	C	D	E	F	G	H	L	P	R	S
Menu Item Name ITEM	Number Sold	Popularity %	Item Food Cost	Item Sell Price	Item Profit *(E-D)*	Total Cost *(D*B)*	Total Revenue *(E*B)*	Total Profit *(H-G)*	Profit Category	Popularity Category	Menu Item Class
Item # 1	100	10.8%	1.25	4.50	3.25	125.00	450.00	325.00	Low	High	Workhorse
Item # 2	50	5.4%	1.50	5.00	3.50	75.00	250.00	175.00	Low	Low	Dog
Item # 3	60	6.5%	1.60	6.00	4.40	96.00	360.00	264.00	High	Low	Challenge
Item # 4	110	11.9%	0.95	5.00	4.05	104.50	550.00	445.50	Low	High	Workhorse
Item # 5	25	2.7%	2.00	4.50	2.50	50.00	112.50	62.50	Low	Low	Dog
Item # 6	35	3.8%	1.60	5.00	3.40	56.00	175.00	119.00	Low	Low	Dog
Item # 7	75	8.1%	1.10	4.00	2.90	82.50	300.00	217.50	Low	High	Workhorse
Item # 8	90	9.7%	2.25	7.00	4.75	202.50	630.00	427.50	High	High	Star
Item # 9	140	15.1%	1.95	6.50	4.55	273.00	910.00	637.00	High	High	Star
Item # 10	25	2.7%	1.95	6.75	4.80	48.75	168.75	120.00	High	Low	Challenge
Item # 11	120	13.0%	2.30	7.50	5.20	276.00	900.00	624.00	High	High	Star
Item #12	95	10.3%	2.00	6.50	4.50	190.00	617.50	427.50	High	High	Star

	N	
Total	925	100.0%

I	J	M
1,579.25	5,423.75	3,844.50

K = I / J
29.1%
Food Cost %

O = M / N
4.16
Ave Item Profit

*Q = (100% / Items) * (80%)*
6.7%
Menu Popularity Factor

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Suggested Strategies for Revenue and Cost Maximisation

Less Popular & Less Profitable Items

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Popular but low margin items

- Portion control
- Recipe engineering to control cost
- Combine other low cost item as package
- Adjust Price upwards

Not Popular but most profitable

- Upsell Incentives
- Promotions to boost sales

What should you do with Most profitable and Most Popular items?

- Keep the quality and use them as signature dish for promotions.
- Include them in combos to sell other non popular items

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Menu Engineering Group Discussion/ Assignment

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- Any other strategy or action you have used apart from what is discussed previously
- Analyze the sample report & come up with some ways to Maximize profitability. Make & State your assumptions

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Sample Way to Analyse Profitability

IN ROOM DINING	LYTD	YTD	Var	Var %
Revenue	11,819,580	12,348,499	528,919	4%
Covers	16,670	18,803	2,133	13%
Grand Average Check	710	654	-56.4	-8%
Breakfast	633	568	-65.0	-10%
Lunch	708	662	-46.0	-6%
Snack	701	666	-35.4	-5%
Dinner	771	716	-55.1	-7%
Food Cost %	24%	27%	2.4%	10%
Bev Cost %	24%	25%	1.3%	6%
Variable Cost / Cover	179	190	11	0
Labour Cost / Cover	117	102	-15.3	-13%
Profit	5,080,973	5,414,764	333,791.0	7%
Profit %	43%	44%	0.9%	2%
In-House Guest Capture Ratio	2.7%	2.5%		
Breakfast	3.3%	3.3%		
Lunch	1.5%	1.4%		
Snack	0.9%	0.8%		
Dinner	5.1%	4.6%		

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Cost Calculations

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Supposed to be cost assuming no wastage, spillage or rebates

Why is important?

- Indicators of Wastage / Spoilages & Damages
- Post Function Rebates & Discounts
- Improper Transfer of cost from main Kitchens
- Not following standard reciepes
- Other Factors

Standard Deviation Allowed = +-5 %

Potential Cost Reports

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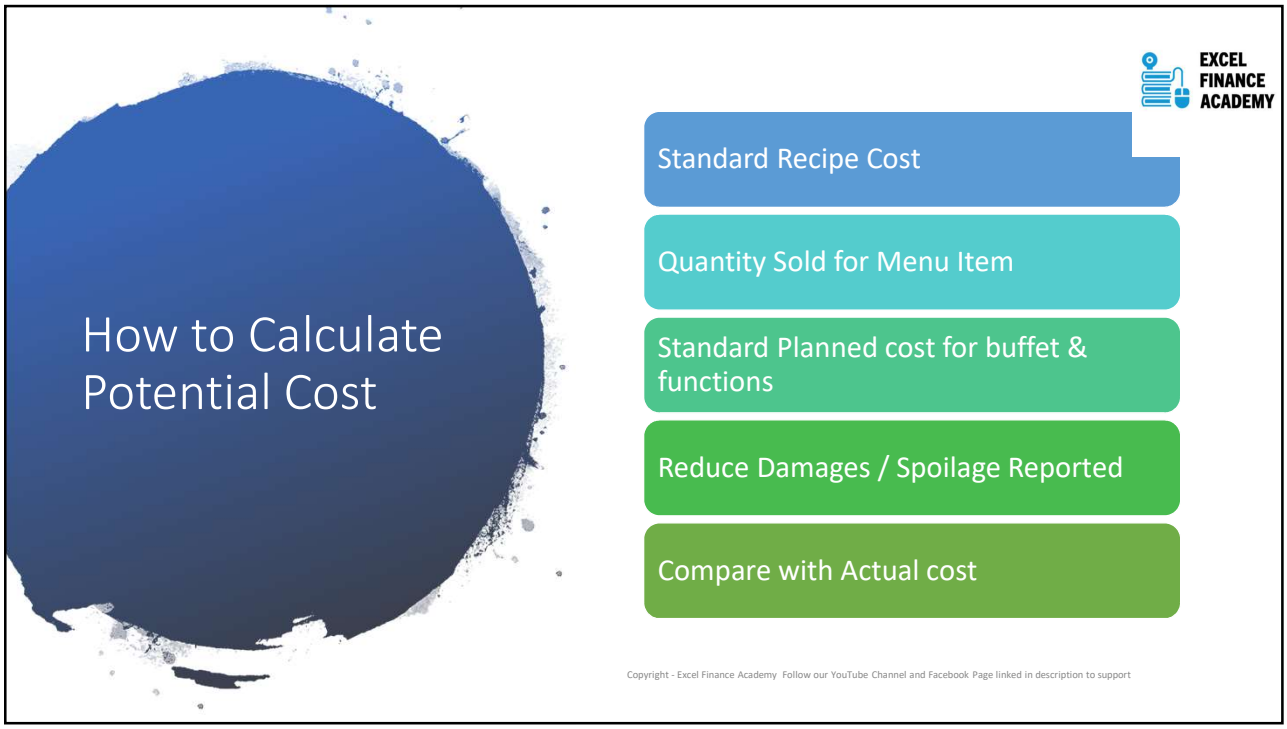
How to Calculate Potential Cost
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Standard Recipe Cost
Quantity Sold for Menu Item
Standard Planned cost for buffet & functions
Reduce Damages / Spoilage Reported
Compare with Actual cost
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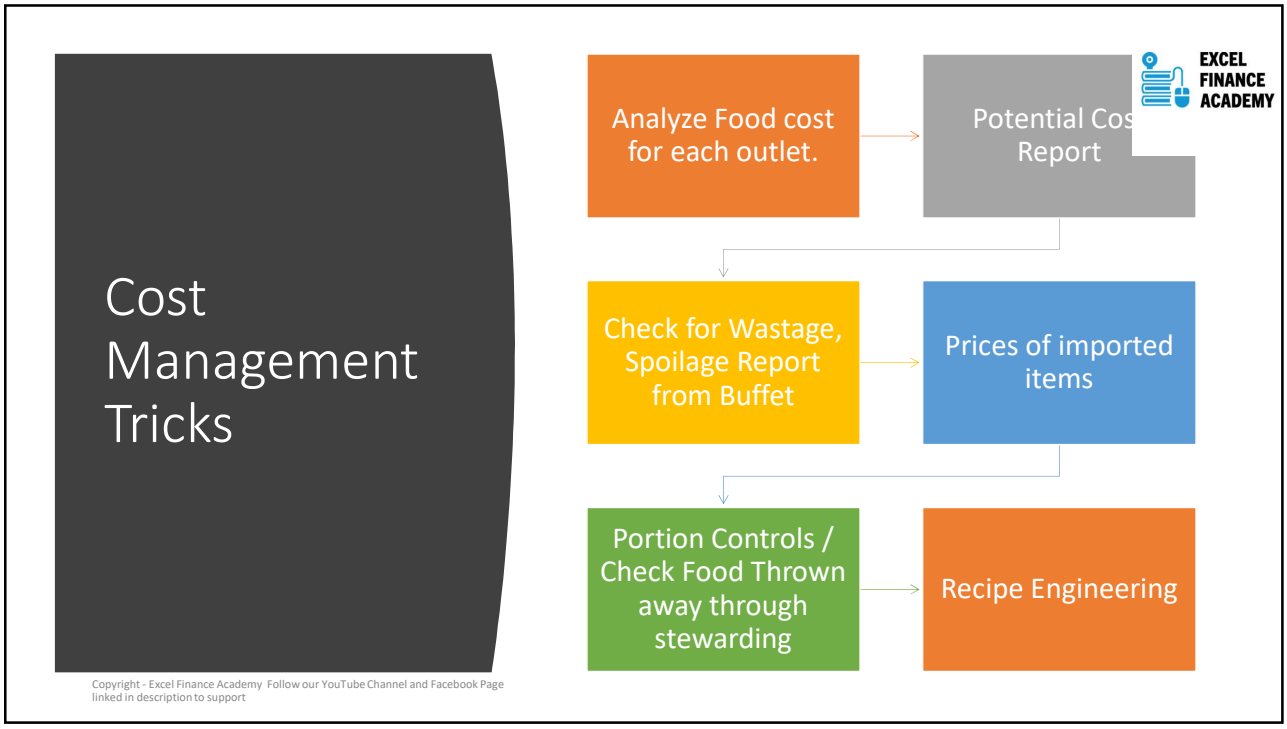
Cost Management Tricks
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Analyze Food cost for each outlet.
Potential Cos Report
Check for Wastage, Spoilage Report from Buffet
Prices of imported items
Portion Controls / Check Food Thrown away through stewarding
Recipe Engineering
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What is labour cost ? Fixed, Variable, Semi Variable

Productivity Reports

- Covers Served per Service Staff
- Service Standard Ratios and controlling actual covers

Zero Base Manning

What Automation or Equipments can help to control manning.

Labour Cost Analysis

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Grand Average Check	710	654	-56.4	-8%
Breakfast	633	568	-65.0	-10%
Lunch	708	662	-46.0	-6%
Snack	701	666	-35.4	-5%
Dinner	771	716	-55.1	-7%
Food Cost %	24%	27%	2.4%	10%
Bev Cost %	24%	25%	1.3%	6%
Variable Cost / Cover	179	190	11	0
Labour Cost / Cover	117	102	-15.3	-13%
Profit	5,080,973	5,414,764	333,791.0	7%
Profit %	43%	44%	0.9%	2%
In-House Guest Capture Ratio	2.7%	2.5%		

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Other Workshops

Overall Hotel Financial Statements	Revenue Management – Fundamentals & Process	Maximize F&B Profitability (Revenue and Cost Management)	Labour Cost Management
How to make budget and forecast your business	Set & Monitor KPIs for Hotel Overall Performance	Master - Cost Control Functions	Master - Revenue Audit

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Thank you so Much

- Questions please post to Q&A sessions
- Did I missed any topic?
- Please Review the course

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