

Restaurant Benchmarks

How does your restaurant compare to the industry standard?



Restaurant Methods, Procedures, and Measurements

Knowing industry benchmarks is critically important to today's restaurant owner. Keep this reference handy when analyzing your restaurant performance. Below is a summary of the general restaurant standards. These rules of thumb are discussed in more detail following the summary in order to assist with the assessment. Baker Tilly understands that each restaurant is unique and that not every guideline will relate to every business. For help in determining which benchmarks are appropriate for you, please contact your Baker Tilly advisor.

Summary of Industry Standards

Prime Cost

- > Full-service - 65% or less of total sales
- > Table-service - 60% or less of total sales

Food Cost

- > Generally - 28% to 32% of total food sales

Alcoholic Beverage Costs

- > Liquor - 18% to 20% of liquor sales
- > Bar consumables - 4% to 5% of liquor sales
- > Bottled beer - 24% to 28% of bottled beer sales
- > Draft beer - 15% to 18% of draft beer sales
- > Wine - 35% to 45% of wine sale

Nonalcoholic Beverage Costs

- > Soft drinks (post-mix) - 10% to 15% of soft drink sales
- > Regular coffee - 15% to 20% of regular coffee sales
- > Specialty coffee - 12% to 18% of specialty coffee sales
- > Iced tea - 5% to 10% of iced tea sales

Paper Cost

- > Full-service - 1% to 2% of total sales
- > Limited-service - 3% to 4% of total sales

Payroll Cost

- > Full-service - 30% to 35% of total sales
- > Limited-service - 25% to 30% of total sales

Management Salaries

- > 10% or less of total sales

Hourly Employee Gross Payroll

- > Full-service - 18% to 20% of total sales
- > Limited-service - 15% to 18% of total sale

Employee Benefits

- > 5% to 6% of total sales
- > 20% to 23% of gross payroll

Sales Per Square Foot

- > Losing Money Full-service - \$150 or less
Limited-service - \$200 or less
- > Break-even Full-service - \$150 to \$250
Limited-service - \$200 to \$300
- > Moderate Profit Full-service - \$250 to \$350
Limited-service - \$300 to \$400
- > High Profit Full-service - More than \$350
Limited-service - More than \$400

Rent and Occupancy

- > Rent - 6% or less of total sales
- > Occupancy - 10% or less of total sales

Information provided by Jim Laube, founder of www.RestaurantOwner.com.



Profitability Standards

Sales per square foot is the most reliable indicator of a restaurant's potential for profit. To calculate sales per square foot, divide annual sales by the total interior square footage including kitchen, dining, storage, rest rooms, etc. This is usually equal to the net rentable square feet in a leased space.

Sales Per Square Foot = Annual Sales/Square Foot

Full-service

Under \$150/square foot = little chance of generating a profit
At \$150 to \$250/square foot = break even up to 5% of sales
At \$250 to \$325/square foot = 5% to 10% of sales

Limited-service

Under \$200/square foot = little chance of averting an operating loss
At \$200 to \$300/square foot = break even up to 5% of sales
At \$300 to \$400/square foot = 5% to 10% of sales (before income taxes)

Rent and Occupancy Cost Standards

Rent = 6% or less

Generally, the goal is to limit rent expense to 6% of sales or less, exclusive of related costs such as common area maintenance (CAM) and other occupancy expenses.

Occupancy = 10% or less

Occupancy cost includes rent, CAM, insurance on building and contents, real estate taxes, personal property taxes, and other municipal taxes. Many operators want to keep occupancy cost at or below 8% of sales, however, 10% is generally viewed to be the point at which occupancy cost starts to become excessive and begins to seriously impair a restaurant's ability to generate an adequate profit.

Percentage of Cost Standards

Food

Food cost equals 28% to 32% in many full-service and limited-service restaurants.

Alcoholic Beverage

Alcohol costs vary with the types of drinks served:

- > Liquor - 18% to 20%
- > Draft beer - 15% to 18%
- > Bar consumables - 4% to 5%
- > Wine - 35% to 45%
- > Bottled beer - 24% to 28%

Nonalcoholic Beverage

Standard practice is to record nonalcoholic beverages sales and costs in Food Sales and Food Costs accounts:

- > Soft drinks - 10% to 15%
- > Specialty coffee - 12% to 18%
- > Regular coffee - 15% to 20%
- > Iced tea - 5% to 10%

Paper

In limited-service restaurants paper cost should be classified as a separate line item in "cost of sales." Historically, paper cost has run from 3% to 4% of sales. In full-service restaurants, paper cost is usually considered to be a direct operating expense and normally runs from 1% to 2% of total sales.

Payroll & Salaries

Payroll cost as a percentage of sales includes the cost of both salaried and hourly employees plus employee benefits, which includes payroll taxes, group, life and disability insurance premiums, workers' compensation insurance premiums, education expenses, employee meals, parties, transportation, and other such benefits. Total payroll cost should not exceed 30% to 35% of total sales for full-service operations, and 25% to 30% of sales for limited-service restaurants.

Generally, you don't want management salaries to exceed 10% of sales in either a full- or limited-service restaurant. This would consist of all salaried personnel.

Hourly Employee Gross Payroll

- > Full-service - 18% to 20%
- > Limited-service - 15% to 18%

Limited-service restaurants generally have lower hourly payroll cost percentages than full-service restaurants.

In limited-service restaurants, managers often perform the work of an hourly position in addition to being a manager. In some cases, however, hourly workers may also perform management roles on some shifts, which could lead to higher hourly payroll costs in these restaurants.

Employee Benefits Overview

- > Employee benefits 5% to 6% of total sales
- > Employee benefits 20% to 23% of gross payroll

Employee benefits can vary somewhat depending primarily on state unemployment tax rates and state workman's compensation insurance rates. Restaurants that are new or have had a large number of unemployment claims may have state unemployment tax rates that could cause their employee benefits to be higher than the standard.

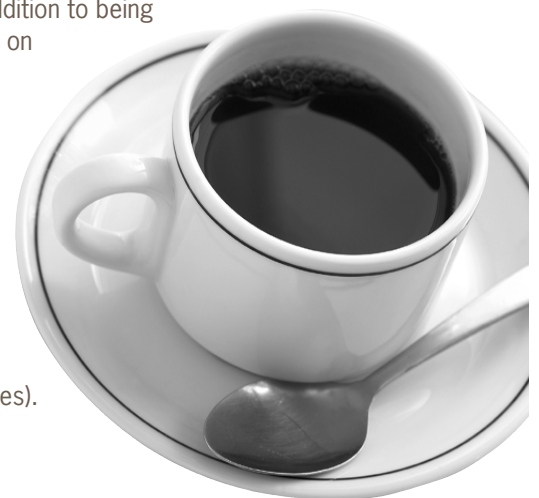
* All percentages shown are the ratio of each item's cost divided by its sales (not total sales).

Prime Cost Standards

Prime cost is one of the most telling numbers on any restaurant's profit-and-loss statement. Prime cost is arrived at by adding cost of sales and payroll costs. Prime cost reflects those costs that are generally the most volatile and deserve the most attention from a control standpoint. It's very easy to lose money due to lax or nonexistent controls in the areas of food, beverage and payroll. Many successful restaurants calculate and evaluate their prime cost at the end of each week.

- > Full-service - 65% or less (total sales)
- > Table-service - 60% or less (total sales)

When looking at a restaurant's overall cost structure, prime cost can be very meaningful, particularly in cost of sales and payroll cost. Some restaurants, such as steak and seafood restaurants, may carry very high food cost and yet be extremely profitable.



Baker Tilly Restaurant Industry Focus

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Baker Tilly Virchow Krause, LLP was founded in 1931 with one central objective: to use our expertise to help our clients improve their businesses. Originally a certified public accounting firm, we have grown steadily over the years, broadening our service offerings and expanding our geographic presence to meet the evolving needs of our clients. With more than 1,300 staff in nine offices across the Midwest, we are now the 17th largest public accounting firm in the United States, according to Public Accounting Report's Top 100 of 2008.

Our Restaurant Expertise

The restaurant industry has been well established as one of the firm's industry niches. Having a dedicated team of professionals for the restaurant industry enhances the service we are able to provide you. Enabling us to understand your industry and the issues you face, resulting in proactive, accurate, and efficient service. We spend more time addressing your business needs and less time learning the industry. Our team attends and sponsors finance conferences specifically for the restaurant industry. We have participated on national panel discussions for restaurant CFOs and have been published in Restaurant Finance Monitor.

If you have any questions or would like to learn more about our restaurant service team please contact:



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