

Key Performance Indicators

HOSPITALITY INDUSTRY

Utilizing benchmarks is the easiest way to determine how well your hospitality company stacks up against others in your industry. Understanding and knowing current restaurant benchmarks is a great way to measure the success of your restaurant against industry standards. They give you a way to identify areas in which your restaurant is excelling, as well as where extra attention and resources may be needed.

To stay competitive amidst rising food costs, employee turnover rates, changing consumer habits and other market factors, it's essential to understand how your restaurant's metrics stack up against industry standards.

Below are benchmarks regarding three major subgroups in the hospitality industry:

1. Restaurants
2. Hotels & Lodging
3. Golf Courses

RESTAURANTS

Key Statistics - According to IBIS World Report



SALES PER SQUARE FOOT. This is a reliable indicator of a restaurant's profit potential. Divide annual sales by the total interior square footage. Include storage, restrooms, the kitchen, etc. A full-service restaurant should have sales per square foot of \$150 - \$250 to break even or have a small profit. While a limited-service (counter-service) restaurant should be in the \$200 - \$300 range for the same result.

RENT. The goal is to limit rent expense to 6% of sales or less. This number does not include other occupancy costs like insurance, real estate taxes, or common area maintenance fees. When those additional expenses are added, the total occupancy cost should be 10% or less. An occupancy cost above 10% is considered excessive and can seriously eat away at your profits.

PRIME COST. Generally considered the most important metric because the underlying costs are the most volatile. Keeping your prime cost in-check is a major step toward profitability. To calculate prime cost, add cost of sales to payroll costs and divide by total sales. Full-service restaurants should have a prime cost of about 65% or less, while limited service restaurants should be closer to 60% or less.

ADDITIONAL COST OF SALES METRICS

- Food – approximately 30% of total food sales
- Liquor – 18% to 20% 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 sales
- Soft drinks – 10% to 15% of soft drink sales
- Management Salaries (of total sales) - 10% or less
- Payroll Cost (of total sales)
 - Full – 30% to 35%
 - Limited – 25% to 30%
- Hourly Employees Gross Payroll (of total sales)
 - Full – 18% to 20%
 - Limited – 15% to 18%

Note: In order to meet the industry metrics outlined above, it is important to periodically recalculate specific products offered. As an owner, it is important to know how your business is performing and see how the restaurant/bar stacks up against successful establishments in the industry. In doing so, an owner can highlight areas of improvement.

Key Ratios – According to IBIS World Report

	IVA Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (\$'000)	Wages/ Revenue (%)	Employees per estab. (units)	Average Wage (\$)
2015	44.3	N/A	N/A	55.8	36.3	16.5	20,238
2016	45.0	N/A	N/A	55.4	37.2	16.9	20,612
2017	42.2	N/A	N/A	55.8	35.0	16.9	19,541
2018	41.9	N/A	N/A	56.1	34.9	17.1	19,557
2019	42.2	N/A	N/A	56.1	34.8	17.2	19,562
2020	42.2	N/A	N/A	56.2	34.8	17.3	19,564
2021	42.2	N/A	N/A	56.1	34.9	17.3	19,560
2022	42.3	N/A	N/A	56.1	34.9	17.4	19,559

Key economic projections for 2030 – According to the National Restaurant Association

- Restaurant industry sales are expected to reach \$1.2 trillion by 2030.
- The industry workforce will likely exceed 17 million by 2030.
- Total U.S. employment is projected to increase at an annual rate of 0.5% during the next decade.
- Total U.S. employment is expected to increase 8.5% between 2018 and 2030.

The industry's steady growth is expected to continue over the five years to 2024 as consumer spending grows. Consumer spending is expected to increase an annualized 2.0% over the five years to 2024. Despite the optimal operating conditions, industry restaurants will need to monitor and adjust to shifting consumer preferences. Rising health consciousness and ethical consumerism will present industry operators with ongoing opportunities to reach niche markets with premium products to increase profitability and revenue.

HOTELS & LODGING

Key Statistics - According to IBIS World Report



Note: The standards listed below are only intended to include the room rental portion of the hotel & lodging industry. If your hotel or lodging business also has a food and beverage component, refer to the section above.

OCCUPANCY. Number of rooms sold divided by number of rooms available. The national average occupancy rate for 2018 was 66.25%.

2019 Minnesota Occupancy Rates:

- Minneapolis – 60.4%
- St. Paul – 62.3%
- Rochester – 62.5%

AVERAGE DAILY RATE (ADR). Net room revenue divided by total number of rooms sold. The national average ADR for 2019 was \$133.34.

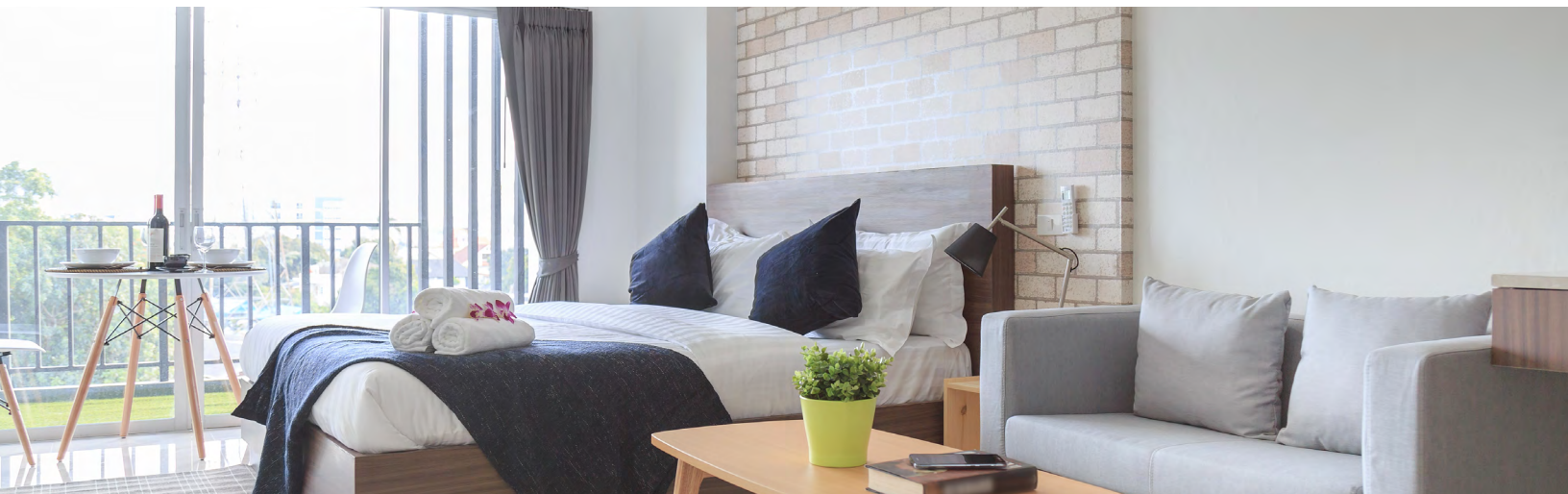
2019 Minnesota ADR:

- Minneapolis – \$137.13
- St. Paul – \$105.18
- Rochester – \$113.81

REVENUE PER AVAILABLE ROOM (REVPAR). Net Room Revenue divided by number of rooms available. The national average RevPAR was \$86 in 2018.

2019 Minnesota RevPAR:

- Minneapolis – \$82.80
- St. Paul – \$65.57
- Rochester – \$71.17



Key Statistics - According to IBIS World Report

	IVA Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (\$'000)	Wages/ Revenue (%)	Employees per estab. (units)	Average Wage (\$)
2015	52.0	N/A	N/A	114	25.2	17.6	28,741
2016	51.1	N/A	N/A	116	24.6	17.0	28,865
2017	50.6	N/A	N/A	115	24.8	16.5	28,637
2018	51.5	N/A	N/A	115	24.9	16.4	28,616
2019	51.2	N/A	N/A	115	24.8	16.4	28,634
2020	51.3	N/A	N/A	115	24.8	16.3	28,629
2021	51.4	N/A	N/A	115	24.9	16.2	28,616
2022	51.5	N/A	N/A	115	24.9	16.0	28,604

The hotel industry is expected to experience further growth over the five years to 2024, albeit at a much slower pace. The industry will expand as a result of the growing global economy and anticipated continued growth in tourism and business travel rates. Over the five years to 2024, IBISWorld expects industry revenue to rise at an annualized rate of 2.3% to \$224.5 billion.

- IBIS World Report

GOLF COURSES

Note: If a golf course falls under the category of a full-service country club, it is important for an owner to also be cognizant of the restaurant metrics above. Full-service country clubs tend to skew the industry analytics due to the extended services and activities they provide in comparison to traditional public golf courses.

Key Statistics - According to IBIS World Report



How much should you be spending on course maintenance and other expenses? According to Club Benchmarking, golf courses all across the country consistently spend about the same percentage of their gross profit (the amount of money a course has available for funding fixed operating expenses) on these six areas

- Course Maintenance
- General & Admin Expenses
- Fixed Charges (Overhead)
- Labor
- Buildings & Maintenance
- Sports & Recreation

Approximately 30% of a course's gross profit is dedicated to maintenance, however if the course is a golf-only club, this number increases to 44%. For full-service country clubs, offering additional sports and recreation facilities, approximately 12% of gross profit is spent on upgrading and maintaining those additional sporting areas. A full-service club spends approximately 4% more on buildings and building maintenance than golf-only clubs, about 19% versus 15%. General and Administrative costs should be between 16% and 21%, and Labor should be between 10% and 15%. Overhead such as insurance, real estate taxes, and interest expense should be about 9%.

Key Statistics - According to IBIS World Report

	I/A Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (\$'000)	Wages/ Revenue (%)	Employees per estab. (units)	Average Wage (\$)
2015	51.7	N/A	N/A	79.6	41.1	26.2	32,698
2016	49.3	N/A	N/A	76.9	40.5	28.2	31,186
2017	50.0	N/A	N/A	77.0	40.5	28.4	31,190
2018	50.6	N/A	N/A	77.5	40.3	28.7	31,234
2019	50.4	N/A	N/A	77.6	40.3	29.0	31,238
2020	50.4	N/A	N/A	77.7	40.2	29.2	31,247
2021	50.3	N/A	N/A	77.8	40.2	29.4	31,254
2022	50.3	N/A	N/A	77.9	40.1	29.7	31,264

Over the five years to 2024, the Golf Courses and Country Clubs industry is expected to generate minimal but stable growth due to rising per capita disposable income and available consumer leisure levels.

These factors are expected to stimulate demand for clubs, particularly among the industry's vital demographic of households that generate more than \$100,000 in annual income. Over the five years to 2024, the number of households earning more than \$100,000 is expected to increase at an annualized rate of 0.1%, which is a much more subdued growth compared with the previous five-year period. This is primarily expected to come because of a slowing US economy over the next five years. Accordingly, IBISWorld expects industry revenue to increase at an annualized rate of 0.8% to \$25.7 billion over the five years to 2024.

- IBIS World Report

Every hospitality company is unique and the above standards will not apply to all businesses. The metrics should be used as a guideline. Our Hospitality Group helps businesses thrive in an industry known for high turnover, intense competition, tight controls and high costs.

Our Hospitality Group is committed to **serving over 100 Minnesota hospitality entities.**





Smith Schafer professionals have serviced and made a strong commitment the hospitality industry since 1971. **This includes membership and community involvement in a number of associations including:**



Contact Us Today

We take great pride in consulting on various industry specific issues as well as the broader needs of these businesses and their owners.

Contact us to learn strategies that best fit your situation.

We are here to help.

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