

5 Restaurant Performance Metrics

Increasing a business's efficiency and profitability doesn't happen overnight. By regularly calculating performance metrics, restaurant owners can catch negative trends and identify areas that require improvement.

1. Cost of Goods Sold

The cost required to create each of the food and beverage items you sell to guests.

$$\text{Beginning Inventory} + \text{Purchased Inventory} - \text{Final Inventory} = \text{Cost of Goods Sold}$$

2. Prime Cost

The sum of all of labor costs (salaried, hourly, benefits, etc.) and COGS. Typically, a restaurant's prime cost makes up about 60% of total sales.

$$\text{Labor} + \text{COGS} = \text{Prime Cost}$$

3. Food Cost Percentage

The difference between the cost of creating a specific menu item and that item's selling price.

$$\text{Food Cost} / \text{Selling Price} = \text{Food Cost Percentage}$$

4. Gross Profit

The profit a restaurant makes after accounting for its cost of goods sold, representing the money available for paying off fixed expenses.

$$\text{Total Sales} - \text{Prime Costs} = \text{Gross Profit}$$

5. Employee Turnover Rate

The percentage of employees that leave or are fired during a specific time period

$$\text{Lost Employees} / \text{Average Number of Employees} = \text{Employee Turnover}$$

