From Mediocre to Michelin: 12 KPIs to Keep Your Restaurant Thriving

Restaurant KPIs are metrics that every restaurant owner should monitor closely, as they provide a snapshot into the restaurant's financial performance. Keeping a watch on KPIs enables smarter, quicker decision making that can help improve both productivity and profitability.

Following are some KPIs that restaurant owners can regularly check to support financial decision making.

Prime Cost Ratio

This measures the cost of running your restaurant. First, find your prime cost by adding the total cost of labor and the total costs of food and beverages. To find the prime cost ratio, divide your prime cost by total sales.

Formula: Cost of Goods Sold + Total Labor Cost = Prime Cost

This is how you calculate prime cost.

Formula: Prime Cost/Total Sales = Prime Cost Ratio

Revenue per Available Seat Hour

This metric measures the average revenue generated from each guest seated in the restaurant. It is calculated by dividing the revenue for a certain period (day, week or month) by the total number of guests served during that same period.

Formula: Total Revenue per (hour)/ Total Seats Served (in the same hour)

Server Benchmarks

Often a reporting capability of your POS; server benchmarks can include per person average, errors per guest, number of guests served per person per hour, etc.

Management Labor Cost Ratio

Similar to above, this tells how much of your revenue goes to management staff.

Formula: Total Labor Cost/Total Revenue

Net Profit Margin

This is your net profit as a percentage of total revenue. It helps understand profitability.

Formula: Net Income/Revenue

Average Check Size

This is the average dollar amount a customer spends during a visit to your restaurant. It is calculated by dividing Total Sales by Number of Order.

Formula: Total Sales/Number of Orders

Inventory Loss Ratio

This shows how much inventory is lost or wasted as a percent of total inventory.

Formula: Inventory Lost/ Total Inventory Value

Revenue per Diner

This measures the average revenue generated per diner and helps you understand your customers' spending patterns.

Formula: Total Revenue/Total # of Diners

Cost of Goods Sold (COGS) Ratio

This ratio is the cost of goods sold to total sales. It tells you how much of your revenue is consumed by your items' costs.

Formula: COGS/Total Sales

Food Cost Ratio

This is the cost of food sold to total sales. It measures the percentage of revenue spent on food.

Food Cost Ratio Formula: Total Cost of Food Sold/Total Sales

Staff Labor Cost Ratio

This is the ratio of total labor costs to total sales. It tells how much of your revenue is consumed by the cost of staff.

Formula: Labor Cost/Gross Sales

Inventory Turnover Ratio

This shows how quickly inventory enters and leaves the restaurant.

Formula: Cost of Goods Sold/Average Inventory for Same Period

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