

Food & Beverage - Profitable Special Events - By Joe Dunbar
2008-07-07

One hint I have shared with my special event catering clients is the use of cost per guest statistics (vs. a % of sales). Catering is a very different business.

Using restaurant metrics is a mistake. Contract caterers say: "We take dollars to the bank not percentages."

Since the caterer's guests often buy a complete package, it is helpful to detail the list of offerings and services provided and cost each one. Many of the line items are straightforward. You can use your previous cost data to fill in the blanks. The key to success is an accurate account of paid guests (or covers).

We'll take a look at a sample company's budget process. The left hand side is the current results and the right hand side assumes we raise the price per guest \$5. I use both Per Guest and % of Sales statistics. You need to use the contracted guest count since the final counts are often lower (due to no-shows). Since the fixed costs are covered by revenue per contracted guest, this is a better divisor. Many caterers expect a lower count and prepare less food. Other companies prepare enough food for 100% attendance.

Statistics	Counts			Statistics	Counts		
Events	400			Events	400		
Guests	40,000			Guests	40,000		
Average # Guests Per Event	100			Average # Guests Per Event	100		
	Dollars	Per Guest	% Sales		Dollars	Per Guest	% Sales
Sales-Total	3,000,000	75.00	100.00%	Sales-Total	3,200,000	80.00	100.00%
Direct Labor-Waiters	320,000	8.00	10.67%	Direct Labor-Waiters	320,000	8.00	10.00%
Direct Labor-Kitchen	280,000	7.00	9.33%	Direct Labor-Kitchen	280,000	7.00	8.75%
COGS Food	720,000	18.00	24.00%	COGS Food	720,000	18.00	22.50%
COGS Beverage	240,000	6.00	8.00%	COGS Beverage	240,000	6.00	7.50%
COGS Decorations/Flowers	40,000	1.00	1.33%	COGS Decorations/Flowers	40,000	1.00	1.25%
Music Service	90,000	2.25	3.00%	Music Service	90,000	2.25	2.81%
Photography/Limousine	110,000	2.75	3.67%	Photography/Limousine	110,000	2.75	3.44%
Direct Operating Expenses	120,000	3.00	4.00%	Direct Operating Expenses	120,000	3.00	3.75%
Variable Costs	1,920,000	48.00	64.00%	Variable Costs	1,920,000	48.00	60.00%
Gross Margin	1,080,000	27.00	36.00%	Gross Margin	1,280,000	32.00	40.00%
Salaries-Sales&Admin	300,000	7.50	10.00%	Salaries-Sales&Admin	300,000	7.50	9.38%
Wages-Maintenance	80,000	2.00	2.67%	Wages-Maintenance	80,000	2.00	2.50%
Indirect Operating Expenses	600,000	15.00	20.00%	Indirect Operating Expenses	600,000	15.00	18.75%
Overhead	980,000	24.50	32.67%	Overhead	980,000	24.50	30.63%
Operations Income (Loss)	100,000	2.50	3.33%	Operations Income (Loss)	300,000	7.50	9.38%

(Note: Click on image to expand the size.)

The use of cost data per guest makes sensitivity analysis (what if?) easier to present to your management team. Each line item may be changed to see the impact on profit. In the example above, I assumed costs would remain constant and the entire \$5 increase would make it to the bank.

Joe Dunbar

Dunbar Associates

P.O. Box 579

Fairfax, VA 22038-0579

800-949-3295

<http://www.joedunbar.com>

jdunbar401@aol.com

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article33374.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html