



DATA4REST

Data Tells A Story. What's Yours?

Understanding Your Restaurant Metrics

A Comprehensive Guide to Reading and Interpreting Your Analytics

This guide explains the key performance indicators (KPIs) you'll see in your restaurant analytics reports. Understanding these metrics helps you make informed decisions about pricing, costs, operations, and profitability.

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Profitability Metrics

Contribution Margin

What it is: The amount of profit you make on each menu item after subtracting the food cost.

Formula: $\text{Contribution Margin} = \text{Item Price} - \text{Food Cost}$

Example:

- Item Price: \$15.00
- Food Cost: \$4.50
- Contribution Margin: \$10.50

How to read it:

- **Higher is better** — More profit per item sold
- **Industry benchmark:** \$8-12 per item is typical for most restaurants
- **What it tells you:** How much profit each item contributes to covering fixed costs (rent, utilities, labor) and generating net profit

Why it matters: A high contribution margin means you're making good profit on each sale, even if the item doesn't sell frequently. Low contribution margins require high sales volume to be profitable.

Gross Profit Margin

What it is: The percentage of revenue that remains after subtracting food and waste costs.

Formula: $\text{Gross Profit Margin} = (\text{Revenue} - \text{Food Cost} - \text{Waste Cost}) / \text{Revenue} \times 100$

Example:

- Revenue: \$10,000
- Food Cost: \$3,200
- Waste Cost: \$200
- Gross Profit: \$6,600
- Gross Profit Margin: 66%

How to read it:

- **Higher is better** — More revenue available to cover other costs
- **Industry benchmark:** 60-70% is typical for full-service restaurants
- **What it tells you:** How efficiently you're converting ingredients into revenue

Why it matters: This is your "first profit" — money available to cover labor, rent, and other fixed costs. If this is too low, you're spending too much on ingredients or wasting too much food.

Net Profit Margin

What it is: The percentage of revenue that remains after subtracting ALL costs (food, labor, waste, discounts, voids).

Formula:
$$\text{Net Profit Margin} = (\text{Revenue} - \text{All Costs} - \text{All Losses}) / \text{Revenue} \times 100$$

Example:

- Revenue: \$10,000
- Food Cost: \$3,200
- Labor Cost: \$3,500
- Waste Cost: \$200
- Discount Loss: \$150
- Void Loss: \$50
- Net Profit: \$2,900
- Net Profit Margin: 29%

How to read it:

- **Higher is better** — More actual profit in your pocket
- **Industry benchmark:** 5-15% is typical (varies by restaurant type)
- **What it tells you:** Your true profitability after all expenses

Why it matters: This is your "bottom line" — the real money you keep. If this is negative or very low, you need to reduce costs, increase prices, or improve efficiency.

Food Cost Metrics

Food Cost Percentage

What it is: The percentage of revenue spent on ingredients.

Formula:
$$\text{Food Cost \%} = (\text{Total Food Cost} / \text{Total Revenue}) \times 100$$

Example:

- Total Revenue: \$10,000
- Total Food Cost: \$3,200
- Food Cost %: 32%

How to read it:

- **Lower is better** (within reason) — Less money spent on ingredients
- **Industry benchmark:** 28-35% is typical for full-service restaurants
- **What it tells you:** How much of each dollar in revenue goes to buying ingredients

Why it matters: Food cost is one of your largest expenses. If it's too high, you're either:

- Paying too much for ingredients (supplier issue)
- Using too much per portion (portion control issue)
- Pricing items too low (pricing issue)

Red flags:

- Above 35%: Investigate supplier pricing, portion sizes, or menu pricing
 - Below 25%: May indicate low-quality ingredients or overpricing (check customer satisfaction)
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Food Cost per Item

What it is: The actual dollar amount spent on ingredients for a specific menu item.

Formula: $\text{Food Cost per Item} = \text{Sum of all ingredient costs for that item}$

Example:

- Grilled Salmon: \$4.50 per serving
- Caesar Salad: \$2.25 per serving
- Pasta Carbonara: \$3.75 per serving

How to read it:

- **Compare to item price** — Food cost should be 25-35% of menu price
- **Compare across items** — Items with similar prices should have similar food costs
- **What it tells you:** The actual ingredient expense for each menu item

Why it matters: Helps identify items where you're spending too much on ingredients relative to the price. If a \$15 item has \$6 food cost (40%), you're either overpaying for ingredients or underpricing the item.

Labor Cost Metrics

Labor Cost Percentage

What it is: The percentage of revenue spent on labor (wages, benefits, payroll taxes).

Formula: $\text{Labor Cost \%} = (\text{Total Labor Cost} / \text{Total Revenue}) \times 100$

Example:

- Total Revenue: \$10,000
- Total Labor Cost: \$3,500
- Labor Cost %: 35%

How to read it:

- **Lower is better** (within reason) — Less money spent on labor
- **Industry benchmark:** 25-35% is typical for full-service restaurants
- **What it tells you:** How much of each dollar in revenue goes to paying staff

Why it matters: Labor is typically your second-largest expense (after food). If it's too high, you may be:

- Overstaffed during slow periods
- Paying too much per hour
- Not generating enough revenue per labor hour

Red flags:

- Above 35%: Review staffing levels, scheduling efficiency, or revenue generation
 - Below 20%: May indicate understaffing (check service quality and customer satisfaction)
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Labor Efficiency by Daypart

What it is: Labor cost percentage broken down by meal period (Breakfast, Lunch, Dinner, Late Night).

Example:

- Breakfast: 28% labor cost
- Lunch: 32% labor cost
- Dinner: 38% labor cost
- Late Night: 45% labor cost

How to read it:

- **Compare across dayparts** — Identify when you're overstaffed or understaffed
- **Look for patterns** — Consistent high percentages indicate scheduling issues
- **What it tells you:** Which meal periods are most/least efficient for labor

Why it matters: Helps optimize staffing schedules. If dinner has 38% labor cost but lunch has 32%, you may be overstaffing dinner or understaffing lunch.

Revenue per Labor Hour

What it is: The amount of revenue generated for each hour of labor paid.

Formula: $\text{Revenue per Labor Hour} = \text{Total Revenue} / \text{Total Labor Hours}$

Example:

- Total Revenue: \$10,000
- Total Labor Hours: 200 hours
- Revenue per Labor Hour: \$50/hour

How to read it:

- **Higher is better** — More revenue generated per hour of labor
- **Industry benchmark:** \$40-60/hour is typical
- **What it tells you:** How efficiently your labor is generating revenue

Why it matters: A low revenue per labor hour means you're paying for labor that isn't generating enough revenue. This could indicate overstaffing, slow service, or low customer traffic.

Waste Metrics

Waste Cost

What it is: The total dollar amount lost to food waste (spoiled, dropped, overprepped, etc.).

Formula: $\text{Waste Cost} = \text{Sum of all wasted items} \times \text{Cost per unit}$

Example:

- Total Waste Cost: \$200
- This represents food that was purchased but never sold

How to read it:

- **Lower is better** — Less money lost to waste
- **Industry benchmark:** 2-5% of food cost is typical
- **What it tells you:** The actual dollar amount you're losing to waste

Why it matters: Waste is pure loss — you paid for it but got no revenue. Even small waste amounts add up over time.

Waste Cost Percentage of Revenue

What it is: The percentage of revenue lost to food waste.

Formula: $\text{Waste Cost \%} = (\text{Total Waste Cost} / \text{Total Revenue}) \times 100$

Example:

- Total Revenue: \$10,000
- Total Waste Cost: \$200
- Waste Cost %: 2%

How to read it:

- **Lower is better** — Less revenue lost to waste
- **Industry benchmark:** 1-3% of revenue is typical
- **What it tells you:** How much of your revenue is being lost to waste

Why it matters: This metric shows waste as a percentage of your revenue, making it easy to compare across different revenue levels. If you're at 4% or higher, you have a significant waste problem.

Waste by Reason

What it is: Breakdown of waste costs by cause (Spoilage, Dropped, Overprep, etc.).

Example:

- Spoilage: \$120 (60% of waste)
- Overprep: \$50 (25% of waste)
- Dropped: \$30 (15% of waste)

How to read it:

- **Identify root causes** — Which reasons account for most waste?
- **Look for patterns** — Consistent high waste in one category indicates a specific problem
- **What it tells you:** Where to focus your waste reduction efforts

Why it matters: Different waste reasons require different solutions:

- **Spoilage:** Ordering or inventory management issue
 - **Overprep:** Prep batch size or timing issue
 - **Dropped:** Kitchen process or training issue
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Revenue Metrics

Total Sales (Revenue)

What it is: The total dollar amount of all sales during the analysis period.

Formula: `Total Sales = Sum of all transaction amounts`

Example:

- Total Sales: \$10,000 for the week

How to read it:

- **Higher is better** — More revenue generated
- **Compare to previous periods** — Is revenue growing or declining?
- **What it tells you:** Your top-line revenue before any costs

Why it matters: This is your starting point. All other metrics are compared to this number. If revenue is declining, you need to understand why (fewer customers, lower prices, or both).

Total Transactions

What it is: The total number of customer transactions (orders, checks, bills).

Example:

- Total Transactions: 500 transactions

How to read it:

- **Higher is better** — More customer visits
- **Compare to revenue** — If transactions are up but revenue is flat, average check is declining
- **What it tells you:** How many customers you served

Why it matters: Separates traffic changes from pricing changes. If revenue is up 10% but transactions are up 15%, your average check actually decreased.

Average Check

What it is: The average dollar amount per transaction.

Formula: `Average Check = Total Sales / Total Transactions`

Example:

- Total Sales: \$10,000
- Total Transactions: 500
- Average Check: \$20.00

How to read it:

- **Higher is better** — Customers spending more per visit
- **Industry benchmark:** Varies by restaurant type (\$12-25 for casual, \$25-50 for fine dining)
- **What it tells you:** How much customers spend on average per visit

Why it matters: This metric explains how revenue is changing. If transactions are flat but revenue is up, average check increased (good). If transactions are up but revenue is flat, average check decreased (concerning).

Average Check per Person

What it is: The average dollar amount spent per person (when party size data is available).

Formula: $\text{Average Check per Person} = \text{Total Sales} / \text{Total Number of Guests}$

Example:

- Total Sales: \$10,000
- Total Guests: 750
- Average Check per Person: \$13.33

How to read it:

- **Higher is better** — Each guest spending more
- **Compare to average check** — If average check is \$20 but per person is \$10, average party size is 2
- **What it tells you:** How much each individual guest spends

Why it matters: Helps understand if revenue changes are due to party size or spending per person. If average check per person is declining, customers are spending less individually (not just coming in smaller groups).

Operational Efficiency Metrics

Revenue per Table Hour

What it is: The amount of revenue generated per hour that a table is occupied.

Formula: $\text{Revenue per Table Hour} = \text{Revenue from Table} / \text{Hours Table Was Occupied}$

Example:

- Table Revenue: \$120
- Table Duration: 1.5 hours
- Revenue per Table Hour: \$80/hour

How to read it:

- **Higher is better** — More revenue generated per hour of table time
- **Industry benchmark:** \$50-80/hour is typical for full-service restaurants
- **What it tells you:** How efficiently you're using table space

Why it matters: This is the best single efficiency metric for full-service restaurants. If it's low, tables are either:

- Staying too long without ordering more (service pacing issue)
 - Not spending enough per visit (menu pricing or upsell issue)
 - Turning too slowly (operational bottleneck)
-

Average Table Duration

What it is: The average time from when a table is seated to when they leave.

Example:

- Average Table Duration: 75 minutes

How to read it:

- **Context-dependent** — Longer is fine for fine dining, concerning for fast casual
- **Compare to revenue per table hour** — If duration is long but revenue per hour is low, customers aren't ordering enough
- **What it tells you:** How long customers stay

Why it matters: Table duration affects capacity. If tables stay 2 hours, you can only serve 6 tables per 12-hour day. If they stay 1 hour, you can serve 12 tables. But longer stays can be good if customers order more (higher revenue per table hour).

Average Table Turns per Hour

What it is: The average number of times a table is turned (new customers seated) per hour.

Formula: $\text{Table Turns per Hour} = \text{Total Tables Served} / \text{Total Hours Open}$

Example:

- Tables Served: 24
- Hours Open: 8
- Table Turns per Hour: 3.0

How to read it:

- **Higher is better** (within reason) — More customers served
- **Industry benchmark:** 0.5-5 turns per hour is typical (varies by restaurant type)
- **What it tells you:** How quickly you're turning tables

Why it matters: More turns mean more customers and more revenue potential. But if turns are too fast, you may be rushing customers or not maximizing revenue per table.

Loss Metrics

Discount Loss

What it is: The total dollar amount lost to discounts (promotions, comps, staff discounts).

Formula: $\text{Discount Loss} = \text{Sum of all discount amounts}$

Example:

- Total Discount Loss: \$150
- Discount Loss %: 1.5% of revenue

How to read it:

- **Lower is better** — Less revenue given away
- **Industry benchmark:** 1-3% of revenue is typical
- **What it tells you:** How much revenue you're losing to discounts

Why it matters: Discounts reduce profit. If discount loss is high, you're either:

- Running too many promotions
 - Staff giving unauthorized discounts
 - Discounting during busy periods (inefficient)
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Void Loss

What it is: The total dollar amount lost to voids (cancelled orders, refunds, errors).

Formula: $\text{Void Loss} = \text{Sum of all void amounts}$

Example:

- Total Void Loss: \$50
- Void Loss %: 0.5% of revenue

How to read it:

- **Lower is better** — Less revenue lost to errors
- **Industry benchmark:** 0.5-1% of revenue is typical
- **What it tells you:** How much revenue you're losing to mistakes

Why it matters: Voids indicate operational problems:

- Kitchen errors (wrong items, overcooked)
- Order entry mistakes
- Customer complaints requiring refunds

High void rates suggest training or process issues.

Comp Loss

What it is: The total dollar amount lost to comps (complimentary items given to customers).

Formula: `Comp Loss = Sum of all comp amounts`

Example:

- Total Comp Loss: \$75
- Comp Loss %: 0.75% of revenue

How to read it:

- **Lower is better** — Less revenue given away
- **Industry benchmark:** 0.5-1.5% of revenue is typical
- **What it tells you:** How much revenue you're losing to complimentary items

Why it matters: Comps are often used for customer service (fixing mistakes, building relationships), but excessive comps reduce profit. Track this separately from discounts to understand your total revenue loss.

How Metrics Work Together

The Profit Equation

Understanding how metrics relate helps you see the full picture:

```
Revenue
- Food Cost (28-35%)
- Labor Cost (25-35%)
- Waste Cost (1-3%)
- Discount Loss (1-3%)
- Void/Comp Loss (0.5-2%)
= Net Profit (5-15%)
```

Example:

- Revenue: \$10,000
- Food Cost: \$3,200 (32%)
- Labor Cost: \$3,500 (35%)
- Waste Cost: \$200 (2%)
- Discount Loss: \$150 (1.5%)
- Void/Comp Loss: \$75 (0.75%)
- **Net Profit: \$2,875 (28.75%)**

Wait, that's too high! Let's recalculate with realistic numbers:

- Revenue: \$10,000
- Food Cost: \$3,200 (32%)
- Labor Cost: \$3,500 (35%)
- Waste Cost: \$200 (2%)
- Discount Loss: \$150 (1.5%)
- Void/Comp Loss: \$75 (0.75%)
- Rent/Utilities/Other: \$2,000 (20%)
- **Net Profit: \$875 (8.75%)**

This is more realistic. The 8.75% net profit margin is within the typical 5-15% range.

Key Relationships

1. Revenue = Transactions × Average Check

- If revenue is flat but transactions are up, average check decreased
- If revenue is up but transactions are flat, average check increased

2. Net Profit = Revenue - All Costs - All Losses

- To increase profit, you must either increase revenue or decrease costs/losses
- Small changes in costs have big impacts on profit (a 1% reduction in food cost can increase profit by 10-15%)

3. Food Cost % + Labor Cost % = Prime Cost %

- Prime cost (food + labor) should be 55-65% of revenue
- If prime cost is above 65%, you're likely unprofitable
- If prime cost is below 55%, you may be understaffed or using low-quality ingredients

4. Gross Profit Margin = 100% - Food Cost % - Waste Cost %

- If food cost is 32% and waste is 2%, gross profit margin is 66%
 - This 66% must cover labor, rent, and other costs before you see net profit
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Reading Your Analytics Dashboard

When you look at your analytics dashboard, here's how to read it:

1. Start with Revenue

- Is revenue growing, flat, or declining?
- Compare to previous periods

2. Check Profitability

- What's your net profit margin?
- Is it above 5%? Below 5% is concerning

3. Review Costs

- Food cost %: Is it 28-35%? Above 35% is a problem
- Labor cost %: Is it 25-35%? Above 35% may indicate overstaffing
- Waste cost %: Is it below 3%? Above 3% needs attention

4. Examine Losses

- Discount loss %: Is it below 3%? Above 3% may indicate abuse
- Void loss %: Is it below 1%? Above 1% suggests operational issues

5. Look at Efficiency

- Revenue per table hour: Is it \$50-80/hour? Lower suggests inefficiency
- Average check: Is it growing or declining? Declining is concerning

6. Identify Trends

- Are costs increasing faster than revenue? (Margin squeeze)
- Are losses increasing? (Operational decline)
- Is efficiency improving? (Operational improvement)

Quick Reference: Industry Benchmarks

Metric	Typical Range	Red Flag
Food Cost %	28-35%	Above 35%
Labor Cost %	25-35%	Above 35%
Waste Cost %	1-3%	Above 3%
Gross Profit Margin	60-70%	Below 60%
Net Profit Margin	5-15%	Below 5%
Discount Loss %	1-3%	Above 3%
Void Loss %	0.5-1%	Above 1%
Revenue per Table Hour	\$50-80/hour	Below \$50/hour
Average Check	Varies by type	Declining trend

Conclusion

Understanding your restaurant metrics is the first step to making data-driven decisions. Remember:

- 1. **No single metric tells the whole story** — Look at metrics together
- 2. **Context matters** — Compare to your own historical data, not just industry benchmarks
- 3. **Trends are more important than snapshots** — One bad week isn't a crisis, but a declining trend is
- 4. **Small changes have big impacts** — A 1% reduction in food cost can increase profit by 10-15%

Use these metrics to identify opportunities, track progress, and make informed decisions that improve your restaurant's profitability.

For questions or support, contact our team. We're here to help you understand and act on your analytics.