

FREQUENTLY ASKED QUESTIONS

SETTING KEY PERFORMANCE INDICATORS-BUSINESS PLANNING

This webinar was delivered as part of Tourism NI's Tourism Enterprise Development (TED) Programme by Feargal McCormack, Managing Director of PKF-FPM. Following the session Feargal and his team kindly provided responses to a number of industry questions received during the webinar. Please find responses below.

Questions and Responses

Q: Why is Business Planning important?

A: The evolving Coronavirus pandemic, means that we are currently living in unprecedented and extraordinary times and as we all know, the current second wave is creating further challenges for the Tourism & Hospitality sectors.

As any business navigates through these uncertain times, business planning which sets the business vision and direction, incorporating Key Performance Indicators (KPIs) i.e. performance targets to facilitate monitoring of performance and recognising problems, is pivotal to successful business in today's ever-changing business landscape

Q: In these times of uncertainty, is this the right time to be undertaking business planning?

A: An economic crisis is a good time to take a holistic look at our business to Reflect clearer, Respond smarter and Rebound faster in the context of applying tomorrow's logic to today's turbulence. There is no doubt that things will be different post Covid-19. We need to reflect on what we did before, that we could do better, and what we didn't do before, that we should go for now, in terms of products and services, pricing, staff mix, processes and policies.

Q: What does effective business planning mean?

A: Business planning involves agreeing the vision and future direction for the organisation and preparing a business plan, to set out what your business is about and its targets, who controls its, its key markets, how it differentiates itself from its competitors and how its core operating plans will be implemented to achieve planned objectives and targets.



Q: What are Key Performance Indicators?

A: Key Performance Indicators (KPIs) help you to define and measure progress towards business goals. KPIs are quantifiable measurements of the improvement in performing an activity that is critical to the success of your tourism business. Through benchmarking KPIs, this enable you to compare your business performance against your budget or business plan, or against others in your sector.

KPIs should complement your overall business targets and relate to its core activities. As a result, this will differ for individual businesses operating within the NI tourism sector, depending on the nature of their business.

Q: How many KPIs should a business have?

A: KPIs are the key drivers in a business. There should be only 3 to 5 drivers that are fundamental to business success. However, these are likely to be augmented by a range of KPIs at a departmental or project level.

KPIs can be both financial and non-financial.

Q: What typical KPIs are used in the tourism sector?

A: There are no definite KPIs that your business should use and these will depend on what sector you are in. It's about understanding the key drivers within your business and sharing these with your team, so that everyone understands and is accountable for the results.

These could be financial or non-financial, some examples include:

- Gross/Net Profit Margin %.
- Gross Operating Profit per available room
- Gearing Ratio/Interest cover ratio
- Labour cost ratio
- Marketing cost per booking
- Customer satisfaction rate
- Spend per customer table
- Customer retention rate
- Staff absenteeism %



*Delivered as part of the Tourism Enterprise Development (TED) Programme
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