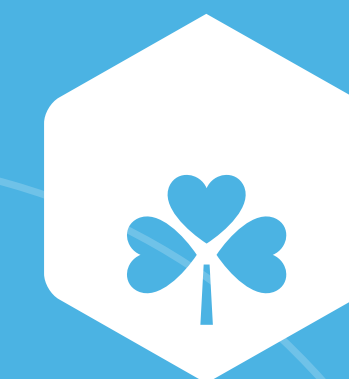


Using TNI's Capacity & Commercial Impact Calculators



The webinar will commence shortly

25 November 2020



tourism
northernireland

TNI's Capacity & Commercial Impact Calculator for restaurants, bars and cafes

Michael Williamson

Director, ASM Chartered Accountants

Intro



difficult time for tourism & hospitality



when you can return to normal trading remains uncertain



this makes planning difficult... and decision making more-so



smaller businesses tend to be resource constrained, adding to uncertainty



calculators have been developed to help those businesses



Today's Webinar

- ▶ Background to the Calculator
- ▶ The Nature of Costs
- ▶ The Impact on Your Financial Analysis
- ▶ Using the Calculator
- ▶ Working With Your Accountant



What is it?

- ▶ a suite of tools to help you make better informed business decisions
- ▶ Excel spreadsheet model to test trading assumptions
- ▶ complemented by User Guide & Video
- ▶ developed as a response to COVID-19...
- ▶ ...but can be used on an ongoing basis



What it does:

- ▶ helps determine impact of reduced capacity across service areas...
- ▶ ...which risk trading at a loss
- ▶ assess commercial feasibility of new services you may introduce
- ▶ helps maximise performance of each operating area during transition period
- ▶ shows expected performance by day and week for 4 weeks



The calculator can:



take account of different types of service delivery due to soc. dist. measures and...



...show best cost solution where a range of service options being considered



produce KPIs for your business



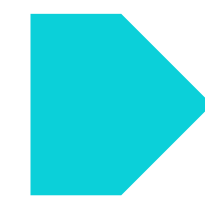
How does it work?:



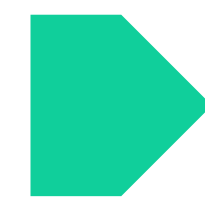
uses least amount of information possible...



...highly automated



where data only needs to be entered once, it will be



is driven by formulas – cannot be accidentally corrupted



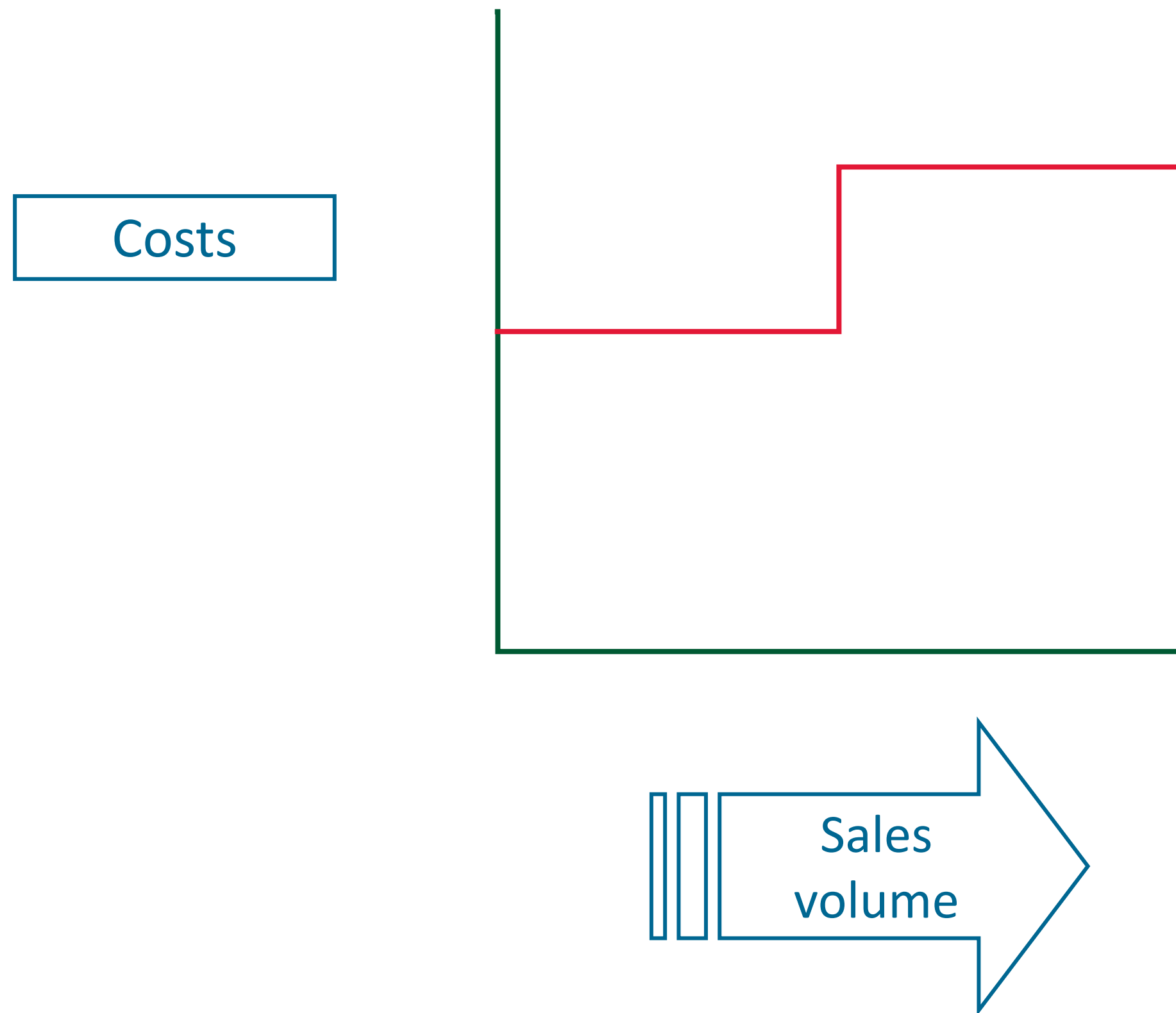
provides summary of performance and underlying detail where relevant



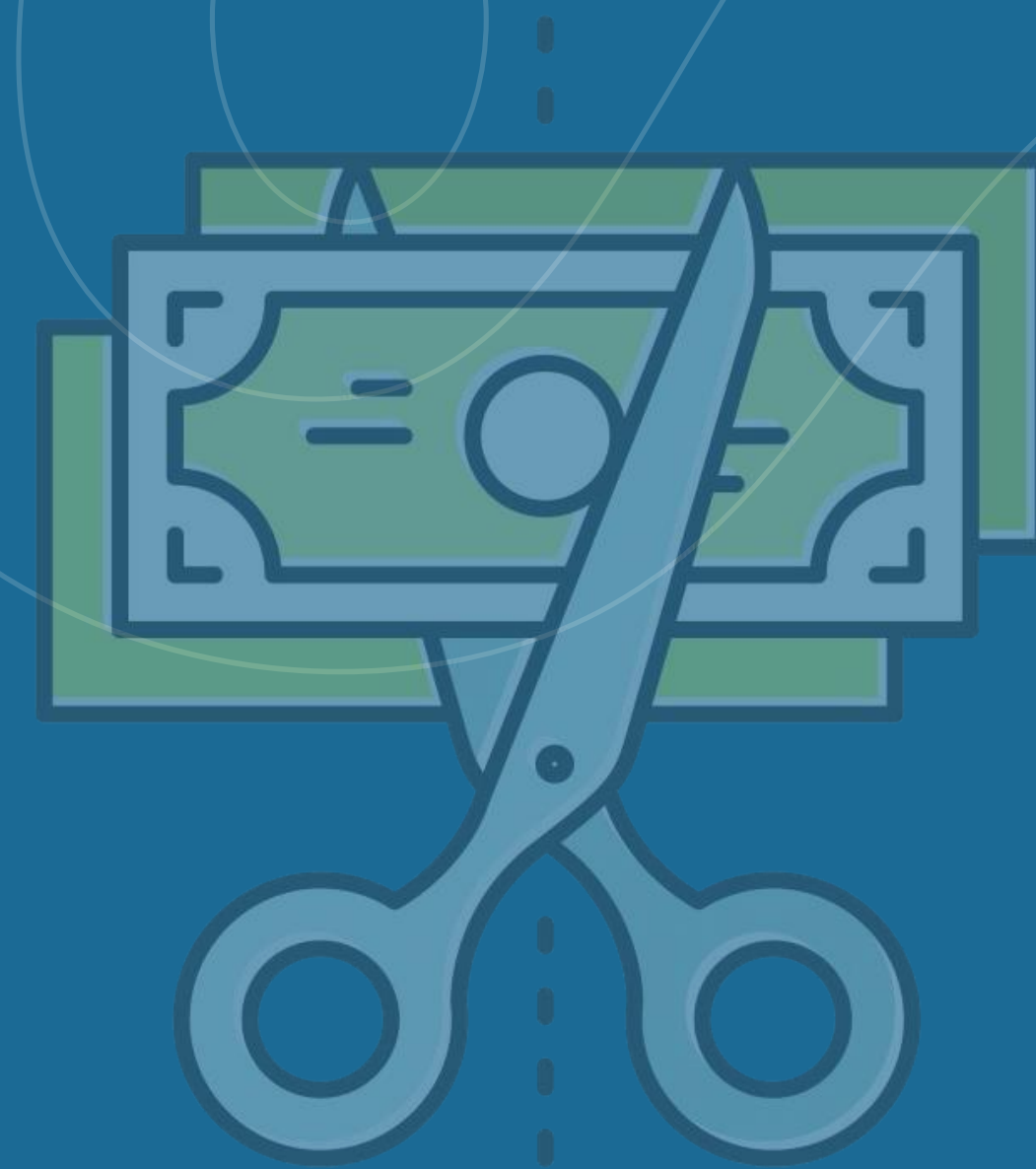
TOPIC 1

The Nature of Costs

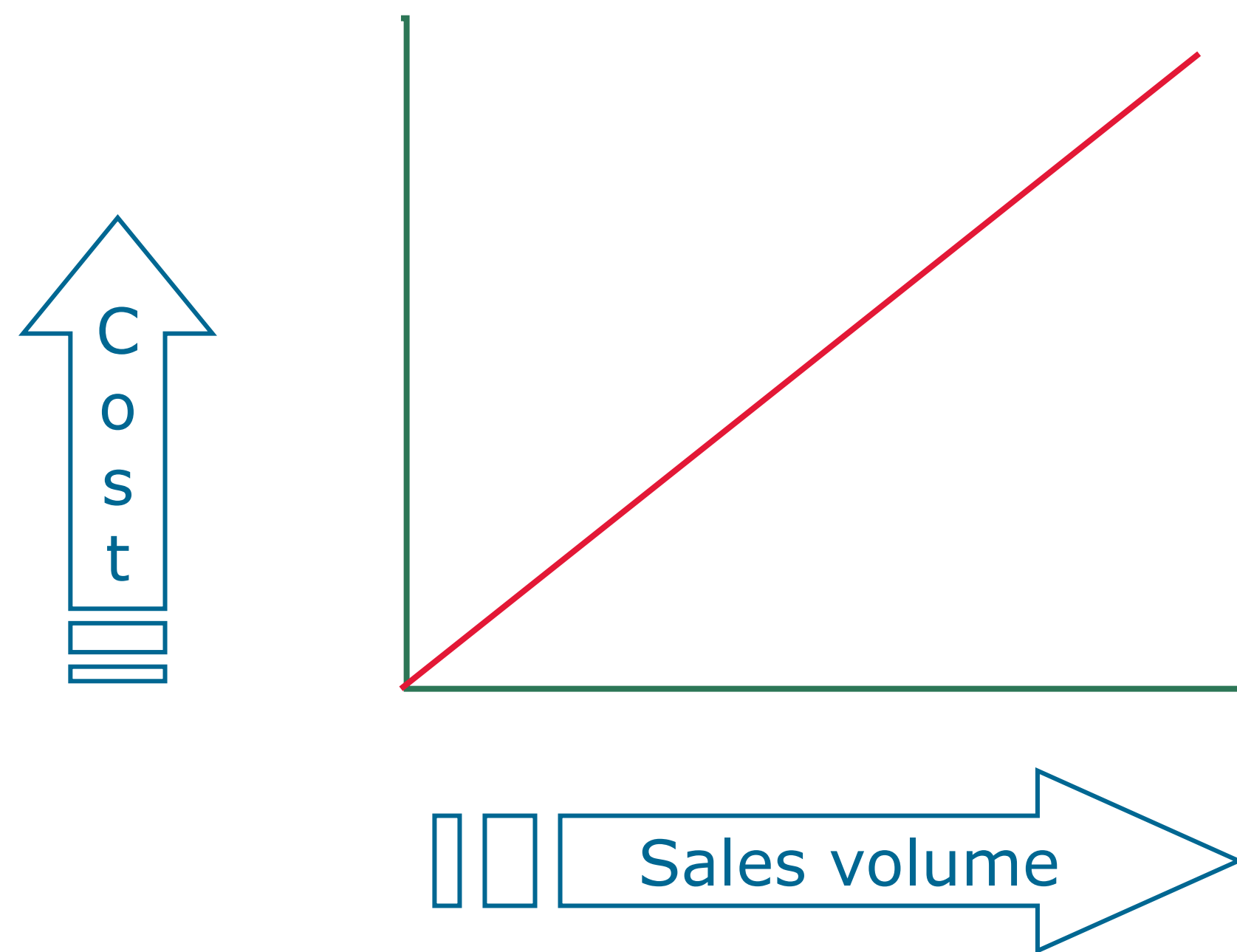
Not many costs truly 'Fixed' – tend to be 'stepped'



The Nature of Costs



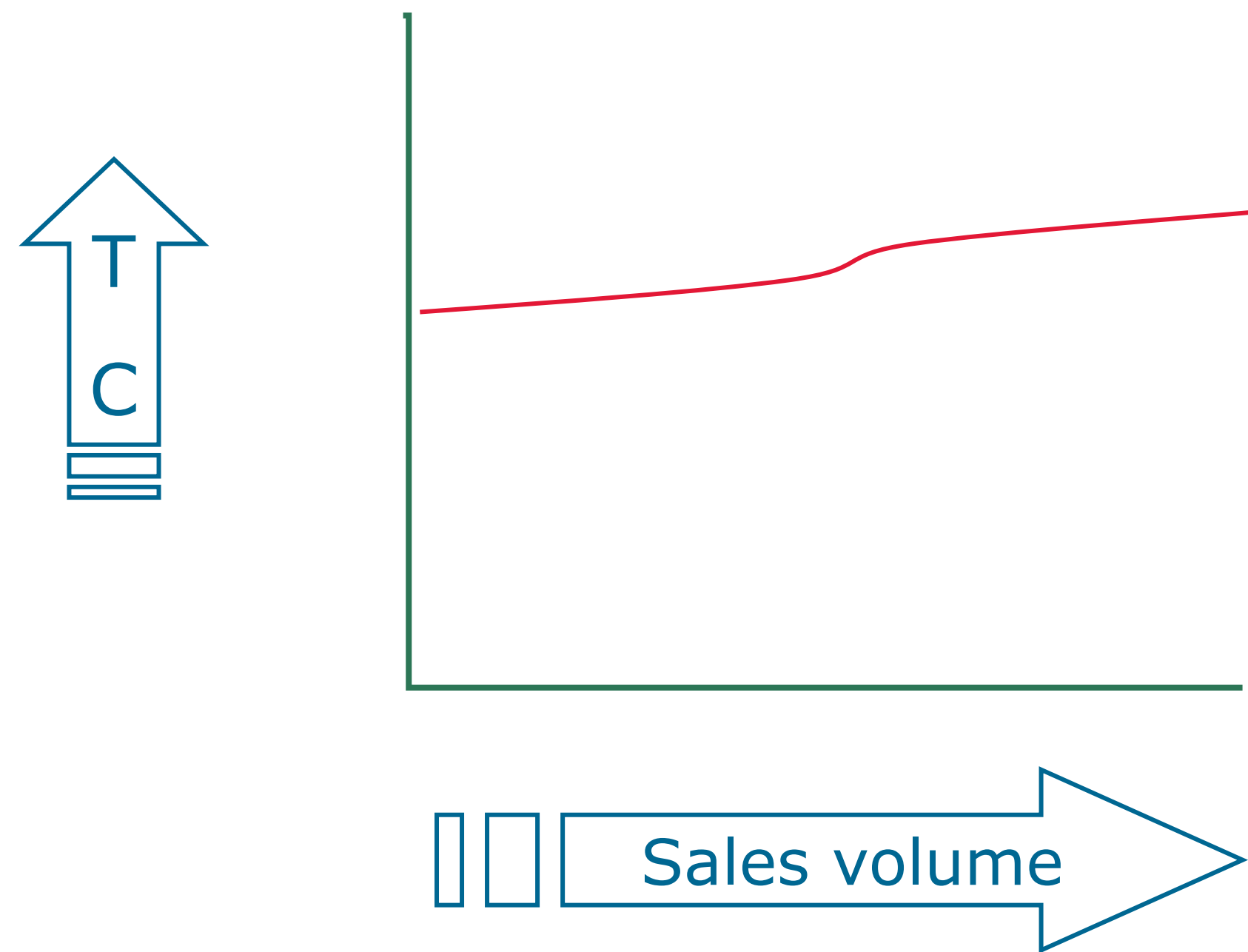
Variable Cost



The Nature of Costs



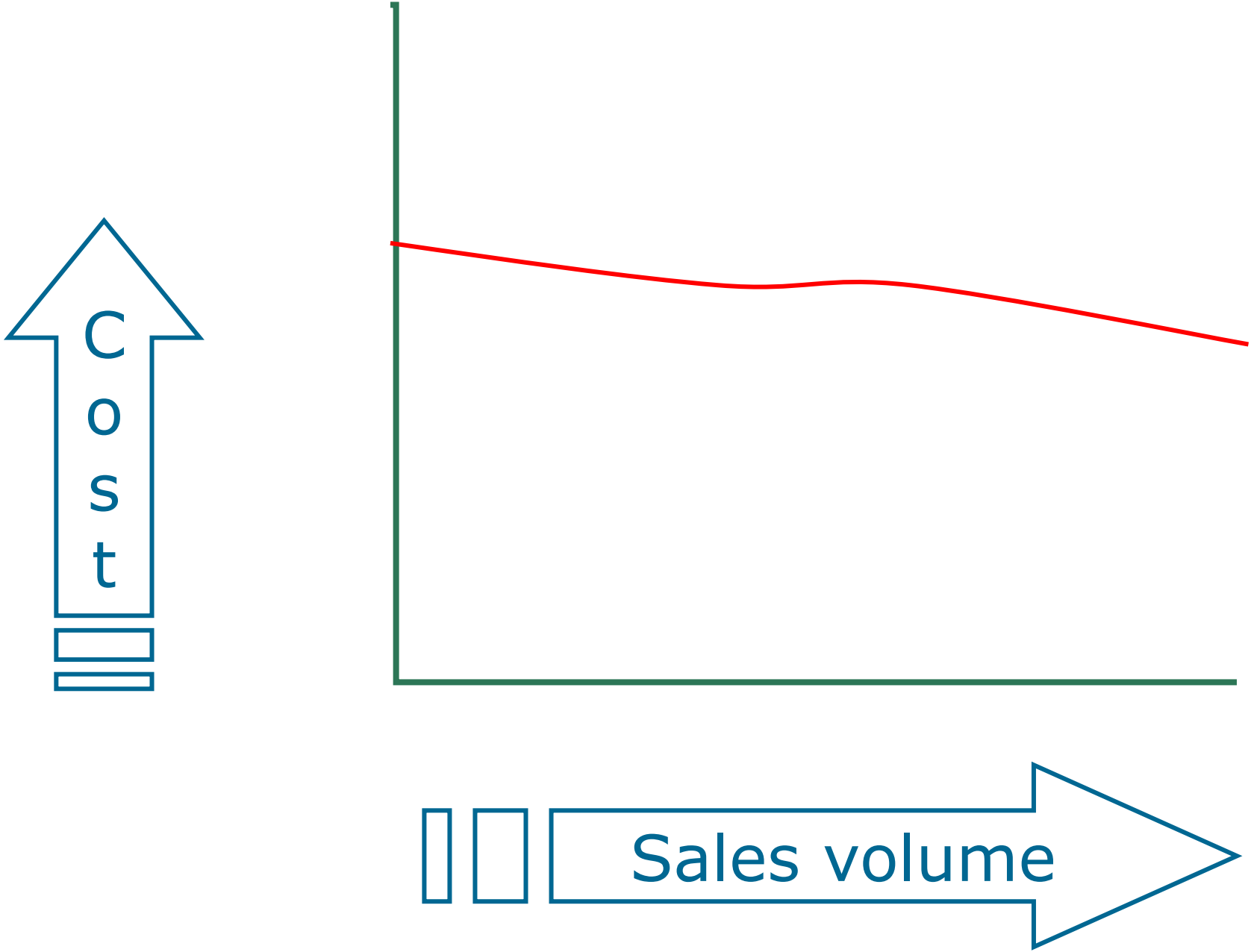
Total Cost (TC) = Fixed Cost (FC) + Vari Cost (VC)



The Nature of Costs



Cost per unit



The Nature of Costs





TOPIC 2

The impact on your financial analysis

SIMPLE PROFIT & LOSS ACCOUNT**(12 months to 30/06/20)****KPIs****The Big Eats Restaurant**

£ £

Sales

Food Sales	717,928	
Beverage Sales	678,971	
Room Hire	38,092	
	<hr/>	1,434,991

Cost of sales

Food costs	233,057	32.4%
Bar & Wine costs	202,258	29.7%
	<hr/>	435,315

Gross Profit/(Loss) 999,676 69.6%**Overheads**

Nett Wages	571,611	39.8%
Sales Promotion	20,000	
Insurance	20,000	
Business Rates	60,000	
Rent	75,000	
Utilities	36,331	
Credit card charges	10,762	
Stationery/menus etc	6,626	
Professional fees	8,359	
Equipment service contracts	21,799	
Cutlery/Crockery	11,777	
Repairs & Renewals	11,000	
Refuse collection	4,081	
Take away packaging	5,950	
Admin and general costs	6,528	
Bank charges	1,392	
POS system rental	4,000	
Depreciation	18,038	
Loan interest	7,200	

Profit before tax 900,454 6.9%

99,222

TYPICAL P&L

Limitations with Layout

01

No analysis

Restaurant offers sit-in and take away options

03

Difficult to measure

You have to measure to improve it – difficult with this layout

05

Difficult to see impact

The impact of decision made by you may be hard to identify

02

KPIs limited

Limited number of KPIs can be produced

04

Management and control

Both comprised

06

Not fit for purpose

For what is needed

Note: Profit does not equal cashflow

What can be delivered with some basic changes

- ▶ split of fixed & variable payroll
- ▶ apportionment of other variable costs
- ▶ number of covers / take-away orders
- ▶ you may already have this information to hand
- ▶ ability to forecast and set sales targets
- ▶ sales figures for new revenue stream



PROFIT & LOSS ACCOUNT**(12 months to 30/06/20)****The Big Eats Restaurant**

	£	£	£
	Restaurant	Take away	Total
Sales			
Food Sales	592,928	125,000	717,928
Beverage Sales	600,000	78,971	678,971
Room Hire	38,092		38,092
	1,231,020	203,971	1,434,991
Cost of sales			
Food costs	192,478	40,579	233,057
Bar & Wine costs	178,733	23,525	202,258
	371,211	64,104	435,315
Gross Profit/(Loss)	859,809	139,867	999,676
Variable costs			
Payroll	200,000	25,000	225,000
Take away packaging	0	5,950	5,950
Cutlery/Crockery	8,777	3,000	11,777
Utilities	31,167	5,164	36,331
Refuse collection	3,681	400	4,081
Credit card charges	9,232	1,530	10,762
Repairs & Renewals	9,437	1,563	11,000
Total variable costs	262,294	42,607	304,901
Contribution to fixed costs (48.4%)	597,515	97,260	694,775
Fixed costs			
Fixed Wages/Salaries			346,611
Sales Promotion			20,000
Insurance			20,000
Business Rates			60,000
Rent			75,000
Stationery/menus etc			6,626
Professional Fees			8,359
Admin and general costs			6,528
Equipment service contracts			21,799
POS system rental			4,000
Bank charges			1,392
Depreciation			18,038
Loan interest			7,200
Total fixed costs			595,553
Profit before tax			99,222
			6.9%
Key performance indicators:			
Cost of sales – food	32.4%	32.4%	32.4%
Cost of sales - beverage	29.8%	29.8%	29.8%
Variable payroll cost ratio	16.2%	12.2%	15.7%
Overall payroll cost ratio			39.8%
Number of covers / take-away orders	33,600	9,100	
Average spend per cover / take away order	£35.50	£22.41	
Average variable cost per cover / take-away order	£18.85	£11.72	
Contribution to fixed costs per cover / take-away order	£16.65*	£10.68	
Contribution as % of revenue	46.9%*	47.6%	

* Excl. room hire

Revised P&L

Key “take-aways”

- limited additional info improves business understanding materially and helps with future planning and projections
- any service you offer must make a contrib. to fixed costs
- in this case, restaurant guests are more profitable (£16.65 v £10.68)
- but modest increase in covers/take away orders may be even more profitable (by £5.95/cover & £2.74/take-away order) since p/roll may not increase at all
- now easier to measure impact of changes – if menu prices increased by £0.50, restaurant income +£15k (no added cost)...
- if variable payroll cost target set at 14% of t/over = saving £24k
- using basic principles above allows us to calc contrib. break-even of new services (more later)



TOPIC 3

Using the calculator

Let's take a look

The Calculator can be found at...

<https://covid19.tourismni.com/support-centre/business-support-advice/operational-performance/>

Enquiry helpline:

028 95925313

Government support information:

<https://covid19.tourismni.com/support-centre/business-support-advice/financial-support/government-support/>

Covid – 19 Financial Modelling Template:

<https://covid19.tourismni.com/support-centre/business-support-advice/operational-performance/>

**Additional supports
from Tourism NI**

TOPIC 4

Working With YOUR ACCOUNTANT

YOUR ACCOUNTANT – CONVERSATION POINTS

- re-configure accounts – split between vari / fixed costs & service lines
- can accounts be produced more regularly? what will it cost?
- how best can you provide the info your accountant needs / agree dates
- if trading at a loss – how much does revenue need to improve to break-even or make profit?
- important to understand the costs and impact of any financial support



YOUR ACCOUNTANT – CONVERSATION POINTS

- ▶ new service ideas – calc. break-even (or use TNI model)
- ▶ cost reduction (inc fixed costs) – what can be done?
- ▶ impact of (moderate) price increases on your income
- ▶ are govt. supports being maximised?



Q & A

Thank
you

Northern
Ireland
Embrace
a Giant
Spirit



TED | Tourism
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Programme

 tourism
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