

Namaste.

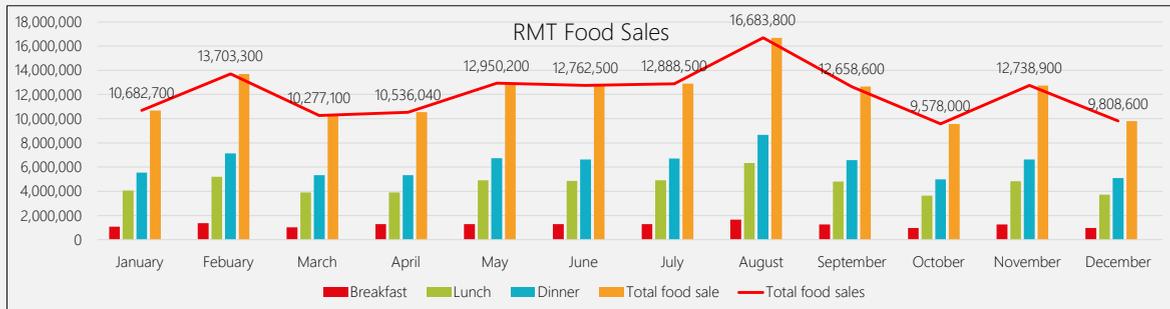
The presentation is on the critical evaluation and analysis of RMT restaurant, on the total sales, its food cost, beverage cost, average spend per cover, salary expenses and marketing strategy and cost. The restaurant is currently operating in a loss and owners are needs the business to have a 15% increase in its sales in the following year. Future recommendations are provided in the presentation and how we as a company will change the operations and implement new strategies for business to be profitable. The presentation has an operational idea and its efficiency in regard to planning and implementation in the industry. The importance of marketing in regard to food and beverage management. The points considered in the presentation are related to academics and hospitality standards. The presentation will evaluate the restaurant and help understand the changes required in the operations.

RMT Restaurant

- RMT located in the business borough of Ahmedabad.
- RMT has a 180 Sq. mt area for the operation and basement for offices and admirative use.
- Full service restaurants, serving breakfast, lunch and dinner.
- Multi-cuisine restaurant with extensive alcoholic beverage options for lunch and dinner.
- 150 Pax restaurant, with 51 tables for 2 Pax and 12 tables for 4 Pax.
- RMT operates from 09:00am to 10:00pm
- Expected customers: office workers, business persons, and tourists.
- Primary source of marketing is online.
- RMT is expecting a 15% growth in sales in following year.
- RMT vision is to open 5 restaurant's in next 3 year.

RMT restaurant operated in cooperate hub of Ahmedabad. A multicuisine restaurant which has a seating capacity of 150 people in one turnover. The restaurant is functioned in few other cities in India, cities are Bangalore, Delhi, Goa, Hyderabad, Kolkata, Pune. The restaurant has a huge 180 square meter area for the operation. The restaurant operates from morning 9 to 10 in the evening. In regard to the restaurant location, the main guest we can focus on dining with is mainly office workers, businessmen and tourists visiting that locality. Further plan of RMT restaurant is to have a profitable business and presumes a 15 % growth in sales for the coming year. It also has a vision of opening 5 new properties in the next 3 years. Here in the presentation We will be looking at the income statement of the year ending 2019, understand and evaluate few points which can make a business profitable in the coming year, at the end of the presentation we will also have few recommendations which restaurant can implement to recover the loss.

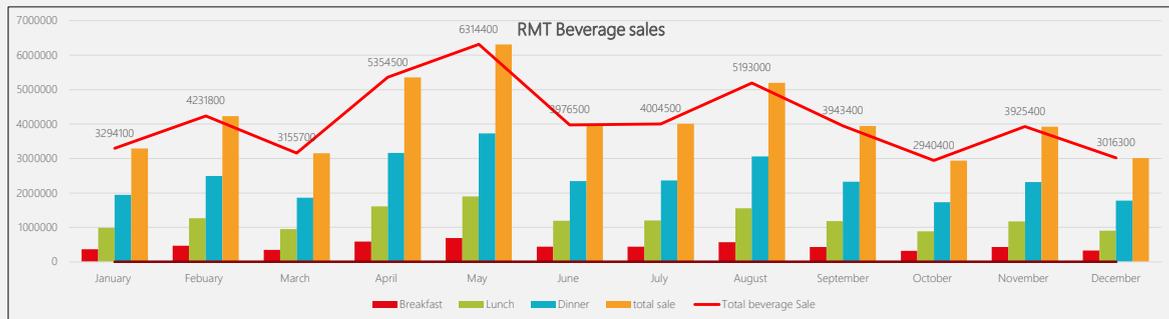
Food sale analysis



- Food Cost is a measure of the total, which is required in production of dish, which helps determine the selling price (Onyeocha et al., 2015).
- RMT's three quarters of total revenue is generated by food which is ₹ 145000000.
- Cost of food sale is calculated by Cost of food sale divides by total sale, this is done for particular time frame. For example, form one week's time to a years' time (Walker, 2008).
- According to Gartenstein, 2020, Restaurant's food cost should fall between 25%-35% to be profitable.
- RMT has a food cost of 44.86 % for 2019 year ending. Which is way high then the idea beverage cost.
- To have a cost-effective restaurant, we must look back at the influence of pricing on sales, mainly to determine if we need to adjust the prices on the menu or not (Walker, 2008).
- As per, purchasing perishable food items in correct quantity and of correct quality is important and is done by estimating the demand. This reduces the wastage and contributes in controlling the food cost (Davis et al, 2008).

According to the income statement (2019) RMT restaurant has a food revenue of ₹ 145000000. The graphs above show how much is the revenue from breakfast, lunch and dinner for the particular months. From that, we can say august has seen the highest sale in food and October has seen the least income. The restaurant has a food cost of almost 45% of the total profit, whereas according to Gartenstein, the ideal food cost of a restaurant should be no more than 35% to make a business profitable one. Therefore, RMT should cut down the cost of food preparation. The restaurant has very similar footfall for all the three serving but according to the graph, the revenue generated in breakfast is very less compared to the other two serving. RMT breakfast choice on the menu is very less, hence we can say the revenue generated in breakfast is very less.

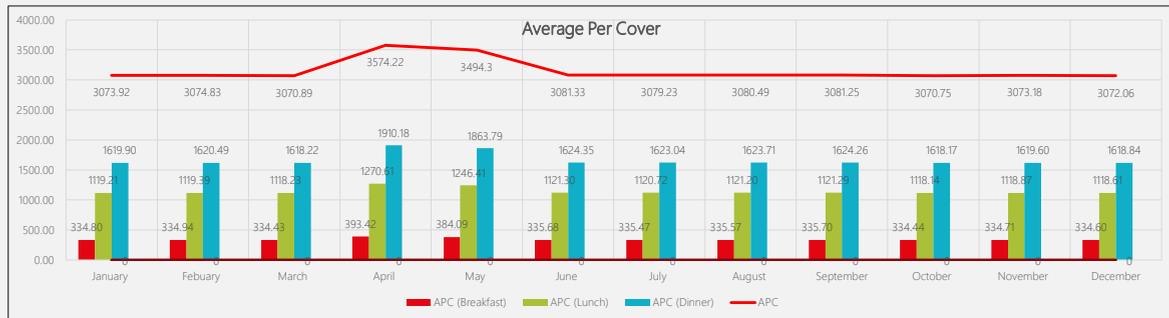
Beverage sale analysis



- Beverage cost is actually the cost of alcoholic beverages, juices, carbonated water, and the ingredients used in making drinks (Barrows et al, 2012).
- RTM's beverage revenue is ₹ 49,350,000.
- Beverage sale is calculated by dividing beverage cost divided by beverage revenue, multiply by hundred (Cousins et al, 2019).
- Restaurant has a beverage cost of 32.62%.
- Alcoholic beverage cost depends on the type of beverage like 24-28% for beer bottles, 15-18% for draft beers, 18-20% for liquor and 35-45% for wines (Tilley, 2018).
- Beverage cost is crucial part of the total revenue. To maximize revenue in any outlet depends mainly on the factor which is to allocate funds in right way. This is to build multiple revenue-generating and guest centric operations (Awasthi et al, 2020).
- According to Ahmed (2005), one of the proven methods of controlling beverage costs is by keeping a regular track of the inventory and regularly monitoring the alcohol usage.

The Beverage sale of RMT is ₹ 49,350,000. which generates 25.39% of total revenue. The beverage has generally profited business from 55% to 85% depending upon which beverage sold. We can not say what the idea beverage sale should be because as mention in slide all the beverages have different purchase and hence different profit margin. On an average RMT is having 67.37% of the profit on their beverage cost. Ideally, it is said that the average beverage cost percentage is 30% to 33% (Holtzman and Mark, 2008). According to the evaluation, we can say RMT beverage cost falls under the ideal cost. The graph shows the average sale and in April and may have seen the highest sale and RMT can focus on that particular strategy to follow for the other month so as to increase the profitability from beverages.

Average spend per cover at RMT



- Average per cover is metric which helps restaurant measure the revenue earned from a customer spending in one dining (CRM Oxford, 2017).
- APC is calculated by the total sales divided by the total number of guest. It can be calculated for particular meal time, for a day, or for a month (Cousins et al, 2019).
- Menu pricing directly impacts on Average per cover.
- Key performance indicator which helps understand the performance of restaurant and helps in forecasting revenue and cost (Ahmed, 2005).
- APC depends on the restaurant turnover, the faster the turnover higher the average spending from guest. This can directly increase the profitability of a restaurant (Kimes, 2008).
- According to Vishal and Sachitanand (2016), have stated in economic time article that the average spend per head of Indian casual dining sector is ₹ 600 to ₹ 1,500.

Average Per Cover (APC) is basically the amount of money an individual spends in a restaurant for a particular meal. It helps the restaurant manager in evaluating the revenue generated for particular serving, on a daily basis, weeks, months and yearly. In the above graph, APC is shown on the monthly bases and the Breakfast, lunch and dinner are shown with different bars in the same graph. As per the evaluation, APC of RMT restaurant for breakfast is minimum (min.) ₹334.43 in March and maximum (max.) ₹393.42 in April. At the same time, Lunch has a min. ₹1118.14 in October and max. ₹1270 in April. And In dinner, min. is ₹1618.17 in October and max. ₹1910.18 in April. The APC in the graph has been calculated by total sales (food and beverage) divided by no of guest dine-in. According to the numbers we can say that RMT has very good APC for lunch and dinner whereas for breakfast it can be improved. APC is related to the number of turnovers in an operation. Which indirectly improve the revenue generation.

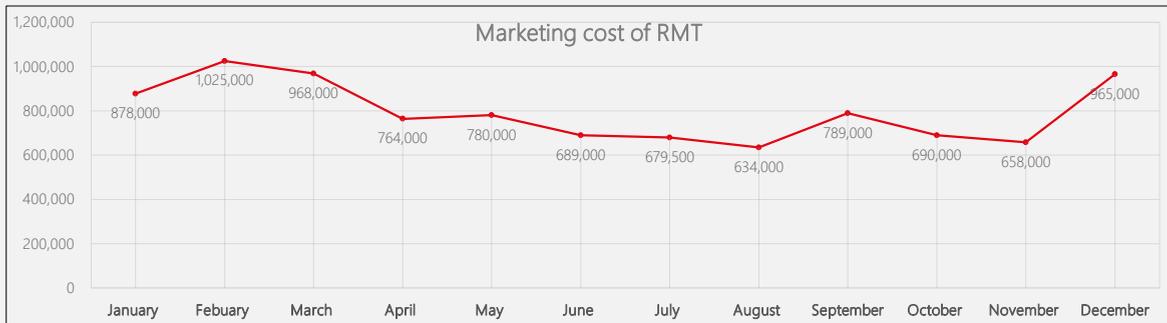
Wages analysis



- Wages is classified as compensation given to employees in regards to his or her employment period (Dittmer, 2003). RMT's total expenses of staff wages is ₹ 60450000. That is 31.10 % of total cost.
- Employee benefits ₹ 7506500 which in percentage is 3.86%. RMT's total wage cost with benefits is 34.96%.
- According to Jim, service cost of a restaurant including the wages with employee benefits should be 30% to 35% of total sales (Bernhardt et al, 2014).
- On an average 30% should be the wage cost of any restaurant (Choi et al, 2009).
- As per Yandrasevich (2011), one of the best ways of controlling labor costs is by forecasting the sales of the restaurant and scheduling the employees accordingly. This eliminates overstaffing or understaffing of the employees.
- According to Minimum wage India, 2020. states that average per day cost of a staff should be ₹ 336.67 per day.

Wages is the sum an employee gets for its involvement during the service time in the restaurant. Wages are generally given depending upon country and government wages policy. An average cost of staff salary should be around 30%-35% of total revenue. RMT total wage cost is 60450000 which is 31% of total gross profit and gives employment benefits of ₹ 7506500 which sums up to 3.86% of the profit. RMT restaurant has only 15 employees for kitchen and front of the house operations. According to the graph, we can say that high expense is seen in august is ₹ 5684000 and ₹ 4736000 is the least expenses restaurant has done in employee wages. RMT on an average is spending ₹ 5037500 monthly on staff salary. According to the 2019 income statement, it can be said that the restaurant is up with the staff and their benefits and that shows the care towards the employee, which also builds the loyalty towards the business.

Marketing analysis



- Marketing is an organizational function, which creates and communicates business value to consumers and helps manage the relationship which benefits the organizational goals (Kotler and Keller, 2020).
- Marketing cost of RMT is ₹9519500.
- Almost, 5% of total revenue is spent on marketing by RMT.
- According to the report, ideal marketing cost should be 2% to 8% of Gross profit (Powell, Harris and Fox, 2013).
- If the right marketing tool has been used to analyze the customers and implemented in an organization, marketing can be done in a much more efficient and effective manner (Burnett, 2008).

Marketing is a mode of communication between guest and business. RMT is investing a total of ₹ 9519500 which is 5% of total revenue. RMT restaurant mainly focuses on digital marketing and no other means. And spending that much amount on marketing doesn't make them fall in ideal marketing percentage norms. In the graph, we can see that in February month restaurant had to spend ₹ 1025000 on marketing which is highest of all the month and that has got the good footfall but still doesn't have the highest revenue. Whereas RMT had spent the least amount which is ₹ 63400 yet has the highest revenue. If we take an average spend of RMT for marketing ₹793291.7 and average earning per month is ₹ 12105686.7. Therefore, according to this monthly calculation they are spending 6.55% of monthly revenue in just digital marketing. Hence, RMT restaurant's marketing strategy needs to be considered for improvisation. According to Kotler, Restaurant can focus on word of mouth by excellent customer service.

Recommendations

The below mention measures if considered and implemented in right way, the restaurant can seek a good hike in sales percentage of around 8-10%. This can help cover the loan due for the business owners.

Menu Management

- RMT can set a beverage menu according to the market and can involve Mocktails as well to boost up the beverage sales. This will indirectly boost the beverage sale of breakfast as well.
- APC can be increased by harmonizing food and beverage, this requires slight changes in menus so that the food can be paired with spirits and wines, and staff should be knowledgeable about it (Koone, 2012).
- RMTs APC is very good in regard to the footfall but still, the profitability is not there. Therefore, staff should be trained for suggestive selling and have an upselling skill to build more revenue from an individual (Yawale et al, 2017).
- RMT can include meal plans, especially for lunchtime to attract a greater number of corporate guests which can help restaurant generate more revenue (Jacobs and Klosse, 2016).

Operating cost

- Restaurants need to control the cost of Food as its almost 15% higher than the ideal cost. This can be done by buying items in bulk which doesn't spoil quickly from local vendors, executing food cost calculation which can include the price of ingredients, food delivery cost etc. (Brown, 2003).
- Food cost can also be reduced by keeping the track of food which is not so popular and hence can be prepared in lesser quantity. The record of dishes returned by the guest can also be helpful in understanding the issue if it is the dish or chef. The chef can work more efficient with food preparation and reduce food waste.
- Restaurant beverage cost should fall under ideal beverage cost, it is only earning 14% of the profit on costing. The restaurant can have inventory form which can help track record of each stock coming in and going out. This can help in ordering the liquor to par stock. And giving proper training to the staff.
- The restaurant can invest on bar management software which can help manage inventory, variance. Variance is the difference between liquor sold and liquor used (Brown, 2003).
- RMT needs to employ more staff as they run the operation on just 15 staff on an average (Brown, 2003).

Recommendations are points which RMT restaurant can implement for the betterment of the revenue generation for the upcoming year. Proper idea and execution can make a running business a successful one. RMT mainly needs to consider on areas like, managing menu, cost of operation, changing in marketing strategy and other considerable points. According to restaurant evaluation, Menu items need to be changes which can suit the local market and for corporate worker meal plans can be added which can work out slightly cheaper for them. The restaurant should include mocktails in the menu as they don't have any choice for it. The most important is to have staff with great upselling skills. This all can make a direct impact on the APC of the restaurant. At the same time, it can be said the cost of food processing is much higher and needs to be conceded in reducing it. Can be done in many ways, keeping a record of dishes, supporting local vendors, etc. keeping the track and inventory control of food and beverages and ordering of the same to par level with the management software.

Recommendations

Marketing

- Restaurant needs to consider marketing with different means as well, because the digital marketing reach is only till the person who owns smart phones and is active on social media and restaurant is spending ₹ 9519500 on it. RMT can market with local newspaper of that city, can have hoarding by the road. This will be effective and cost efficient and will have word of mouth advertising.
- The restaurant can include loyalty cards for their customers where every rupee spent by the guest gets them points which further can be redeemed for drinks and other special offers.
- RMT can come up with the website as well which is attractive, has all the information about the restaurant and conveys the real value of it to the visitors.

Additional consideration's

- RMT average salary for staff is almost double the salary of employees. The restaurants can consider cutting down the salary percentage and the benefits they give to their employees. The percentage saved will be a count in profit margin.
- RMT can consider having to take away options for people who have less time for lunch, especially corporate guest.
- The restaurant takes step towards sustainability, which is a prime concern for the entire world. This can be done by reducing the waste, use recycled paper for the menu, reflecting sustainability on business, not for the marketing but show the care for the environment (Legrand et al, 2010).

Coming to the marketing recommendations, RMT can implement other ideas for marketing like having advertising in a local newspaper, have a hoarding of the restaurant by the road, can focus on urban marketing with flyers, posters etc. This works out cheaper and much effective according to the market the restaurant is in. The restaurant can engage a greater number of people with social handle. One of the best ways to engage guest with the restaurant can be by implementing the loyalty cards. This gives them points for every rupee they spent and can get additional benefits in future orders. As per the digital marketing idea of RMT, the restaurant can come up with the idea. Which can give all the information regarding the business and shows the true value of it? Some other points which restaurant can consider for the profit is to have more no of staffs they are operating with only 15 Staff for 150 Pax operation. Staff salary is also something which needs to be improvised. It seems to cross the ideal wage according to the Indian wage act. RMT can consider sustainability which is one of the most important trends all over the globe. The restaurant can start using recycled products and cut down on waste, they can start conserving energy and water consumption. And must reflect on business not to market but showing the care for the environment

Conclusion

The presentation shows us the understanding of how RMT restaurant has performed and is seeking profit in up-coming years.

Restaurant's food cost makes it hard to be a profitable business, if that is cut down the restaurant can see good profit margin over its Sales Percentage.

Restaurant has a an ideal beverage cost, which can further be decreased for the benefit of restaurant sales.

Restaurant has seen a good average spend per head for each meal period and has upright footfall.

RMT salary and employee benefits structure is a huge cost according to the wage standard of India which needs to be put into consideration.

RMT should cut down on their marketing cost as in some months marketing doesn't seem effective although spending highest amount.

The RMT restaurant has operated well but it needs to be managed a little better way so the operations can have good hike in sales and noticeable profit.

The presentation shows the evaluation and analysis of RMT restaurant, it clearly shows that it has an almost 15% higher food cost than what the ideal cost should be. The restaurant needs to cut down the cost of food preparation to increase revenue. Beverages cost is acceptable falls under ideal cost on an average, but the beverage menu needs a bit of change and mocktails need to be added. Although the restaurant has a footfall and good average per cover, the restaurant needs to manage its expenses and other costs to have a profit margin. Staff and their benefits can be cut down and more staff needs to be employed with good upselling techniques and interpersonal skills. Marketing is what RMT is doing digitally only, there are many other means which can be used for the same and can work out more effective and cost-efficient. With a slight change in the menu, managing the staff and resource properly, having management software for food and beverages, improving the marketing strategy. RMT can be a profit-oriented restaurant with its goal of having 15% increment in sales. This also can help owners clear the dues.

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