HappyChef

E-BOOK · A HAPPYCHEF GUIDE

The Ultimate Guide to Restaurant Finance

Great food has killed more restaurants than bad food — because passion without numbers runs out of cash. Here is the financial system, in the kitchen's language.

Thibault Van de Sompele Founder of HappyChef
built with and for restaurant owners

E-BOOK

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A HAPPYCHEF GUIDE

The Ultimate Guide to Restaurant Finance

Every winter, restaurants with full dining rooms and profitable books quietly go under. The food was never the problem. The owner watched one number — the bank balance — and trusted a feeling for the rest. Both lie. The question this guide opens with: how can a restaurant make money on paper and still miss the rent in February?

The answer takes six chapters, and none of them require loving spreadsheets. You'll learn to read a P&L the way you read a ticket rail, find the one number that predicts survival better than revenue does, see why cash flow kills healthy businesses, count the exact cover where your evening flips from losing to earning, measure what every seat-hour is worth, and decide which investments deserve your money. Finance, it turns out, is just six recipes. The first one shows where every euro of Saturday night actually went.

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THE SHORT VERSION

The short version

01 **Read your P&L monthly** in percentages, not euros — revenue is always 100%, and every line is a recipe ratio.

02 **Prime cost (food + drink + labour) is the number** keep it at or under 60% of revenue and the rest of the P&L usually behaves.

03 **Profit is an opinion, cash is a fact** run a rolling 13-week cash forecast; most restaurant deaths are cash deaths.

04 **Know your break-even in covers per service** "34 covers on a Tuesday" is a target a whole team can see.

05 **Measure RevPASH** (revenue per available seat hour) to find money hiding in slow turns and empty shoulders.

1

THE MAP

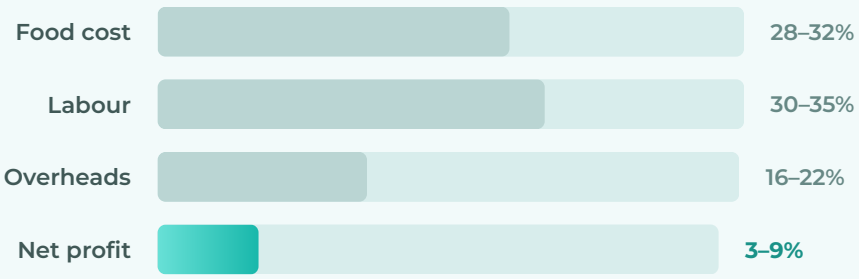
Read your P&L like a recipe: every line is a ratio

KEY INSIGHT

A restaurant P&L becomes readable the moment you convert every line to a percentage of revenue: food cost 28–32%, labour 30–35%, occupancy under 10%, everything else 8–12%, leaving a 3–9% net margin. Read monthly in percentages, problems announce themselves.

THE MAP FIG. 01

Read your P&L as percentages



100% convert every P&L line to a share of revenue — what's left is 3–9% net

Euros lie to restaurateurs — a €38,000 month sounds different in July than in January, and costs drift invisibly inside growing revenue. Percentages don't lie. The discipline that changes everything is embarrassingly simple: every month, divide each cost line by revenue, and compare against both last month and the benchmarks below.

THE FINE-DINING P&L, AS RATIOS OF REVENUE

Line	Healthy range	Where it's managed
Revenue	100%	Reservations & marketing
Food & beverage cost	28–32%	Menu engineering
Labour (incl. you)	30–35%	Scheduling & retention
Occupancy (rent, utilities)	6–10%	Lease negotiation, energy
Operating costs (the rest)	8–12%	Subscriptions, maintenance, fees
Net margin	**3–9%**	Everything above, compounding

Two habits make the reading honest. First, **pay yourself a real salary inside labour** — a restaurant that's only profitable when the owner works free isn't profitable. Second, build the reading from a real **budget**: forecast each line ahead of the year, then compare actuals monthly. The budget isn't a cage; it's the recipe card for the business itself.

The fifteen-minute monthly ritual

Same coffee, same morning, every month: print the P&L, write the five percentages in the margin, circle anything that moved more than a point, and ask why aloud. That ritual — not an accounting degree — is what financially literate ownership looks like.

◉ DO THIS TONIGHT

Take last month's P&L and write the percentage next to every line (each ÷ revenue). Circle the one furthest from the table above. That circle is your next month's project — and probably worth more than a record Saturday.

GOING DEEPER

A budget is not an accounting exercise you do once a year and bury. It is your financial compass: a set of expectations you measure your weekly reality against. Restaurants that run a living budget see problems coming while there is still time to act.

This guide builds a realistic annual budget step by step, with benchmark figures that fit hospitality. No complex software needed — a spreadsheet and honest assumptions are enough to start.

Start with an honest revenue forecast

Your budget lives or dies by your revenue forecast. Build it bottom-up, not top-down: covers × average spend × service days. Account for seasonality — winter is structurally quieter, autumn and December busier.

- Use your own history as the base; correct for outliers
- Split by service (lunch/dinner) and by day — a Monday is not a Saturday
- Be careful with growth assumptions: 5-10% is ambitious, not 30%

Tie your forecast to hard steering numbers like your /en/blog/finance/revpash-restaurant-kpi.html and your /en/blog/finance/restaurant-break-even-analysis.html.

The big cost blocks: prime cost

Two blocks decide your profit: food cost and labour — together your "prime cost". The rule of thumb for a healthy venue: keep prime cost under 65% of revenue.

- **Food cost (incl. drinks):** aim for 28-35% of revenue. Guard it via /en/blog/finance/restaurant-cash-flow-management.html and tight purchasing.
- **Labour:** aim for 28-35%, heavily concept-dependent.

One point of prime cost often separates profit from loss. Budget these as a percentage of revenue, not a fixed amount, so they flex with busy and quiet months. Want to master this metric? Read our full guide to **restaurant prime cost**.

Don't forget fixed costs and the buffer

After prime cost come fixed costs: rent (aim for max 8-10% of revenue), energy, insurance, depreciation, marketing and maintenance. Add a realistic "contingency" line — equipment breaks, things need repairing. The energy line is more controllable than most owners think: our guide on **saving energy costs in your restaurant** shows how to make that budget line up to 20% lighter.

The mistake most starters make: they budget to the euro of break-even and keep no buffer. Plan a structural net margin of 5-10% and build a cash buffer of two months' fixed costs. Liquidity, not profit, decides whether you survive a setback.

Turn your budget into a weekly tool

A budget in a drawer is worthless. Set aside ten minutes every Monday to put last week's actuals next to your budget. Food cost off for two weeks running? Act before it costs you the quarter.

Combine this with the broader approach in our /en/blog/finance/restaurant-cash-flow-management.html and /en/blog/finance/restaurant-supplier-negotiation.html — every euro saved at purchasing drops straight to profit. Your budget becomes a steering wheel, not an after-the-fact report.

FREQUENTLY ASKED QUESTIONS

Where do I start when creating a restaurant budget for the first time?

Begin with your expected monthly revenue. Then split your costs into categories: food (25–35%), staff (30–35%), rent (10–15%), and other fixed costs. The total must stay below 90% of revenue to be profitable.

What percentage of revenue can I spend on staff?

A rule of thumb is 30–35% of revenue for staff costs including social contributions. If it rises above 40%, you risk making a loss.

How do I budget for unexpected costs?

Reserve 3–5% of revenue as a buffer for unexpected expenses: broken equipment, emergency repairs, or sudden supplier price increases.

2

THE NUMBER

Prime cost: the one number that predicts survival

KEY INSIGHT

Prime cost is food and beverage cost plus total labour, expressed as a share of revenue. At or below 60% a full-service restaurant can usually thrive; at 65% it survives; above 70% it is dying in slow motion regardless of how busy it looks. Track it weekly, not monthly.

THE NUMBER FIG. 02

Prime cost predicts survival

≤60% keep food, drink and labour combined at or below 60% of revenue

If you only ever track one number, make it this one. Prime cost combines the two costs you can actually manage week to week — what you buy and who you schedule — and it moves fast enough to act on. Rent is a yearly negotiation; prime cost is a Tuesday decision.

Why weekly beats monthly

A monthly prime cost of 63% tells you that something went wrong, on average, weeks ago. A weekly reading tells you which week — the over-ordered protein, the over-rostered quiet stretch — while the cause is still in the room. The calculation takes ten minutes once the routine exists: this week's purchases (from invoices) plus this week's labour (from the rota), divided by this week's revenue.

READING YOUR PRIME COST

Prime cost	Verdict	The move
Under 55%	Exceptional — check you're not under-investing in quality or people	Consider raising quality, not just margin
55–60%	Healthy fine dining	Hold the line; tune with the seasons
60–65%	Surviving, not compounding	One point from food (menu engineering), one from labour (forecast rostering)
Over 65%	Structural problem	Re-engineer the menu and the roster this month, not this quarter

The two levers have their own guides: the food side lives in **menu engineering** (costing, waste, pricing), the labour side in **staffing** (forecast-driven rosters). Suppliers are the quiet third lever: re-quoting your top ten ingredients twice a year, as covered in **negotiating with suppliers**, routinely claws back a full point.

◉ DO THIS TONIGHT

Compute last week's prime cost from invoices, rota and revenue — one number, ten minutes. Put it on the same whiteboard as your occupancy. Those two numbers together are 80% of restaurant management.

CHEF'S SECRET

The Saturday that loses money

Run prime cost per service once and you'll find it: a packed Saturday that earns less than a calm Thursday. Heavy tasting-menu comps, an extra runner "because it's Saturday", premium proteins prepped for walk-ins who didn't come — busy and profitable are different axes. The houses that know their per-service prime cost schedule and prep to the booking curve, and their quiet Thursday quietly out-earns the neighbour's loud Saturday.

GOING DEEPER

66% of hospitality operators name rising procurement costs as one of their biggest challenges — yet the majority never negotiate their supplier prices. They accept annual price increases without question, while their margins grow ever thinner.

An average restaurant spends £150,000 a year on food and drink. A 10% saving = £15,000 a year straight to your profit. That's more than most restaurant marketing campaigns deliver.

In this article you'll learn the 8 negotiation tactics that work in UK hospitality, when to apply them, and how to lower your procurement costs structurally.

Why 66% of hospitality operators overpay

Industry data shows that around two-thirds of hospitality operators experience rising procurement costs as a major challenge. But the irony is that most do nothing about it. Why not?

- **Lack of time:** Negotiating takes time you don't have in the daily operational chaos
- **Relationship reticence:** "I've done business with this supplier for years, I don't want to damage the relationship"
- **Lack of market knowledge:** They don't know the market price, so they don't know when they're overpaying
- **Fear of "no":** They're afraid the supplier will end the relationship

The reality: suppliers expect professional buyers to negotiate. A supplier who is never challenged on price raises their margin year after year. That's not a partnership — it's a one-way flow of value.

See also our in-depth guide on **controlling food costs** as a complement to negotiating.

The golden moments to negotiate

Timing is everything in supplier negotiations. The most effective moments:

- **January:** Suppliers have new annual targets and want to lock in volume commitments. They are most willing to make concessions in exchange for certainty for the year.
- **July:** Half-year review. Suppliers behind on their targets want to bring in volume for the second half of the year.
- **September:** New harvest season for wine and produce — new price lists come out. The ideal moment to negotiate new rates before they are fixed.

Avoid December (everyone is busy), holiday periods, and any moment when you are desperate. The golden rule of negotiating: negotiate from a position of strength, never from desperation.

Preparation: the winning position

A well-prepared negotiator always wins. Before you pick up the phone:

1. **Gather all current contracts** and price lists by category
2. **Know your volumes:** "We spend £X/month on category Y" — concrete figures give credibility
3. **Get 2-3 quotes** from alternatives before you negotiate — you don't have to use them, but you have leverage
4. **Know your supplier's situation:** are they growing? Are they under pressure? This determines their willingness to make concessions

5. **Set your bottom line:** what's the minimum benefit you need? Know when to walk away

FREQUENTLY ASKED QUESTIONS

How do I prepare for a negotiation with a hospitality supplier?

Know your own figures: what do you order per month, what are you paying now, what is the market rate elsewhere? Get quotes from at least two competitors. Never negotiate without an alternative in hand.

What discounts can I realistically expect from suppliers?

Volume discounts of 3–8% are common in long-term relationships. Early payment discounts of 1–2% for payment within 10 days. Always ask explicitly what discount options are available.

Should I always choose the cheapest supplier?

Not necessarily. Price is one factor; delivery reliability, consistent quality, and service are equally important. A slightly more expensive supplier who always delivers on time is worth more than the cheapest with poor service.

3

OXYGEN

Cash flow: why profitable restaurants still die

KEY INSIGHT

Restaurants fail from cash gaps, not just losses: VAT quarters, supplier terms, December's deposits hiding January's drought. The defence is a rolling 13-week cash forecast, a tax account that's never touched, and one month of fixed costs as a buffer — boring, and life-saving.

OXYGEN FIG. 03

Why profitable restaurants still run dry

13 wk a rolling 13-week cash forecast spots the gap before it becomes a crisis

Profit is an opinion produced once a month; cash is the fact that pays Friday's wages. The restaurant graveyard is full of houses that were profitable on paper and dead at the bank — killed by a VAT quarter landing in the same week as the insurance annual and a slow February. None of those events were surprises; all of them were unscheduled.

The 13-week radar

One spreadsheet, thirteen columns, updated every Monday in ten minutes: expected money in (booking-led revenue forecast, events, **gift card** sales), expected money out (wages, rent, suppliers, the VAT quarter, the insurance annual), running balance at the bottom. The radar's only job is to make a week-22 problem visible in week 9, while the fixes

are still cheap — shifting a supplier payment, pushing an event, pre-selling a wine dinner. The full method is in **managing restaurant cash flow**.

Restaurant-specific cash moves

- **The untouchable tax account:** a fixed percentage of every week's revenue moves automatically to a separate account for VAT and payroll taxes. The single most effective habit in this entire guide.
- **Deposits and prepaid menus** (chapter 2 of the **reservations guide**) turn future bookings into present cash — and zero no-shows.
- **Gift cards are an interest-free loan** from December to your January–February trough. Sell them deliberately.
- **Supplier terms are negotiable** — moving your two biggest suppliers from 14 to 30 days adds half a month of breathing room permanently.

◉ **DO THIS TONIGHT**

Open a savings account named TAX, and set an automatic weekly transfer of your VAT-plus-payroll percentage. Twenty minutes of admin tonight removes the most common near-death experience in this industry.

GOING DEEPER

Of all the challenges restaurateurs face, cash flow is the most underestimated. Not the cooking, not the service, not even the marketing — but the simple fact that money comes in daily while costs are paid monthly or even quarterly. That mismatch in timing is the direct cause of many restaurant failures.

Margins in hospitality are thin. Industry data for the UK market shows operating margins of 3-9% for most restaurants. That means for every pound of revenue you keep only 3 to 9 pence after all costs. In that kind of environment, cash flow is not a financial detail — it is the lifeblood of your business.

This article gives you the tools to manage cash flow proactively, avoid the familiar pitfalls and navigate the UK regulatory landscape of 2026.

Why cash flow is so challenging in hospitality

Hospitality has a number of structural characteristics that make cash flow especially complex:

- **Daily income vs monthly fixed costs:** Revenue comes in every evening, but rent, wages and suppliers are paid monthly. A poor week of revenue hits your wallet directly.
- **High fixed costs:** Staff (25-35% of revenue), rent (8-15% of revenue) and energy are almost inelastic. You pay them regardless of how many covers you do.

- **Seasonality:** Summers can be excellent; January is almost always dire. But the fixed costs don't change.
- **Food waste as a cash flow leak:** Every spoiled product is not only a food cost problem — it is cash you spent and won't earn back.

Typical cash flow pattern — UK restaurant

Use December's peak to pre-finance January's trough

The January slump: the toughest month for UK restaurants

December is typically the best month of the year for restaurants — work dinners, family gatherings, festive menus. Revenue can be 40-60% higher than an average month. And then comes January.

The January slump is real and predictable. After the festive period, consumers tighten their belts. New Year diet resolutions make restaurants less appealing. The bad weather discourages going out. Most UK restaurants see their revenue fall 30-40% in January compared with December.

But the real damage of the January slump only follows in **February and March**. That's when January's fixed costs — which you paid while revenue was low — start to bite into your bank balance. Many restaurant failures are signalled in winter but are actually the result of insufficient preparation in the autumn.

How to pre-finance the January slump:

- **Sell gift vouchers in October/November:** Gift vouchers are cash flow advances. You receive payment in December but the "cost" (the food) only falls in the spring. Every gift voucher sale is an interest-free loan from the customer to you.
- **Pre-paid events and packages:** Book festive events with a 50% deposit in November. The money is already in your account before January arrives.
- **Build a liquidity reserve:** In the peak months of September-December, set aside 8-10% of your revenue specifically as a buffer for January-February.

FREQUENTLY ASKED QUESTIONS

Why is cash flow more important than profit for a restaurant?

You can show a profit on paper yet still face payment problems if large expenses fall just before your busy season. Cash flow determines whether you can pay suppliers and staff day to day.

How do I survive the quiet months in terms of cash flow?

Build reserves during busy periods, negotiate staggered payment terms with suppliers, and create extra income through gift vouchers or events.

How do gift vouchers improve my cash flow?

Gift vouchers bring in cash immediately while the service is delivered later. This lets you finance a quiet January with December sales.

4

THE CROSSING

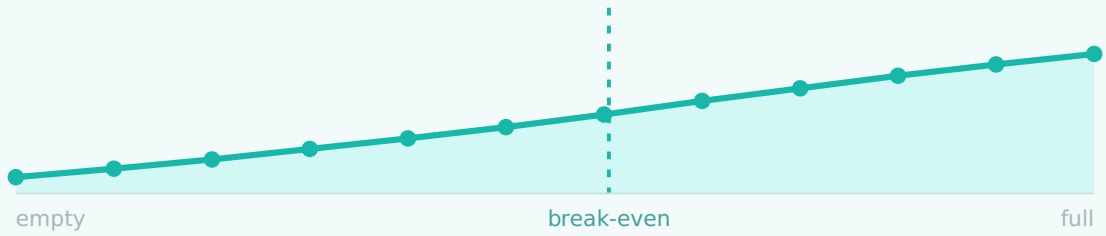
Break-even: the covers where you start earning

KEY INSIGHT

Break-even in covers = fixed monthly costs ÷ contribution per cover (average ticket minus its variable cost). Expressed per service — "34 covers on a Tuesday" — it converts the whole P&L into a target the entire team can see, count and beat in real time.

THE CROSSING FIG. 04

The covers where you start earning



34 clear break-even first — fixed costs ÷ profit per cover — then every extra cover is profit

Somewhere tonight there is a cover number — maybe 31, maybe 47 — where your restaurant stops paying for the rent and starts paying you. Most owners have never computed it, which means every service runs without a scoreboard. The **break-even analysis** takes twenty minutes and changes how the whole team sees a Tuesday.

The recipe

- **Fixed costs per month:** rent, salaried wages, insurance, subscriptions — everything that arrives whether or not a single guest does.
- **Contribution per cover:** average ticket minus its variable cost (ingredients of that ticket, roughly your food-cost % — plus hourly labour if you scale staff per service).

- **Break-even covers = fixed ÷ contribution.** Divide across your services and you get the per-night scoreboard.

Worked example: €31,000 fixed monthly, €95 average ticket, 30% variable → €66.50 contribution per cover → **466 covers a month**, or roughly 19 per service across 24 services. Suddenly the half-empty Wednesday at 16 covers isn't "a bit quiet" — it's three covers from break-even, and the waitlist nudge from chapter 3 of the reservations guide is worth exactly €199.50.

What break-even teaches pricing

Re-run the formula with a €4 higher average ticket (one aperitif, chapter 4 of the menu guide): break-even falls by ~28 covers a month. Run it with 2% lower food cost: similar. Break-even is where every other guide's work becomes visible as fewer covers needed to be safe — which is why it belongs on the office wall, recalculated every season.

◉ **DO THIS TONIGHT**

Compute your break-even covers per service with this chapter's recipe — twenty minutes, three numbers you already have. Then tell the team tomorrow's number at the briefing and watch how differently a "quiet night" gets played.

GOING DEEPER

Around 60% of UK restaurants don't survive their first five years. The most common cause isn't food quality, location or competition — it's a lack of financial literacy.

And at the heart of that literacy lies one concept every restaurant owner must master: break-even analysis. Not as an annual exercise for your accountant, but as a **daily operational instrument** that tells you: "Have I already generated enough revenue today to cover all my costs?"

This article doesn't just teach you the formula — it shows you how to use your break-even as a compass for every operational decision, from considering a terrace to hiring an extra chef.

Why most restaurant owners don't know their break-even (and what it costs them)

Ask ten random restaurant owners how much revenue they need exactly to break even this month. Most will give a vague number, or worse: say they don't know. That's not a shame — it's a systemic problem in hospitality education.

The consequences are concrete and costly:

- **Investing too early:** You open a terrace while you haven't yet covered the fixed costs of your dining room
- **Wrong staffing:** You schedule five people on a Wednesday that will never generate enough covers to carry that wage cost
- **Promotions that cost you money:** You offer 20% discount during a promotional campaign without realising you're dropping below your break-even
- **Late signals:** You only notice in last month's accounts that you made a loss, instead of seeing it in real time

The restaurant owner who knows their break-even looks at the till report at noon and thinks: "We're at £680, we need £1,183 today. How do we close the £500 gap?" That's the mindset shift this article aims to create.

Want to read more on **controlling food costs**? That's an essential companion piece. And for the analytical side, see **restaurant analytics as a decision tool**.

The break-even formula explained: simple but powerful

The formula itself is surprisingly straightforward:

For that you need two components:

Contribution Margin

The contribution margin is what remains from every pound of revenue after paying variable costs:

If your restaurant makes £100 in revenue and spends £38 on food, beverages and variable labour, your contribution margin is £62.

Contribution Margin Ratio

The ratio expresses the contribution margin as a percentage of revenue:

In our example: £62 ÷ £100 × 100% = 62%. For every pound of revenue, you retain £0.62 after variable costs to cover fixed costs and generate profit.

The break-even calculation

With a variable cost ratio of 38% (and therefore a CMR of 62%) and fixed costs of £22,000/month:

Divided by 30 operating days: **£1,183/day**. At an average spend of £85 per guest, that is **approximately 14 covers per day** to break even. Every guest after that delivers pure profit.

FREQUENTLY ASKED QUESTIONS

How do I calculate the break-even point of my restaurant?

Divide your total fixed costs (rent, wages, insurance) by your contribution margin per cover (average spend minus variable costs). The result is the number of covers you need per month to break even.

How do I lower my break-even point as a restaurant owner?

Increase your average spend per cover through upselling, reduce fixed costs by negotiating rent or contracts, or optimise your food cost percentage. Every pound saved directly lowers your break-even.

What is a healthy food cost percentage for a restaurant?

Aim for 25–35% of revenue for food costs. Fine dining may run higher due to premium ingredients. If it rises above 35%, optimisation is necessary.

5

THE METRIC

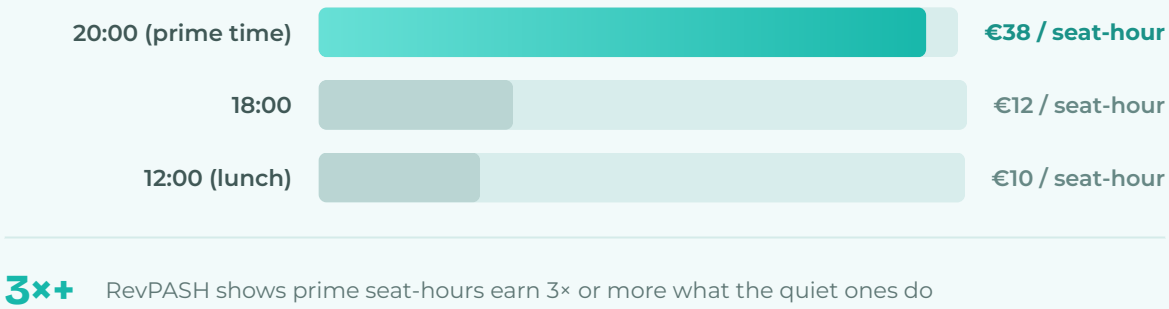
RevPASH: the metric that sees what occupancy hides

KEY INSIGHT

RevPASH — revenue per available seat hour — divides revenue by seats × open hours, pricing every seat-hour you own. It exposes what occupancy hides: slow turns, weak shoulders, underpriced peaks. Fine-dining rooms typically run €15–40; the trend matters more than the level.

THE METRIC FIG. 05

Every seat-hour has a price



3×+ RevPASH shows prime seat-hours earn 3× or more what the quiet ones do

Occupancy says the room was full. RevPASH asks the sharper question: full of what? A table of two lingering three hours over one bottle and a table of four through a tasting menu in two both count as "occupied" — they are not the same business. Borrowed from hotel revenue management, **RevPASH** is the restaurant's truest productivity metric because its denominator is the only thing you truly sell: seat-hours.

Using it without a spreadsheet PhD

Revenue ÷ (seats × opening hours), per service. A 50-seat room, open 4 hours, taking €3,800 on Friday dinner: RevPASH €19. The power move is comparing your own services against each other:

WHAT REVPASH GAPS MEAN

Pattern	Diagnosis	Lever
High occupancy, low RevPASH	Slow turns or soft average ticket	Turn-time craft, aperitif & pairing moments
Strong 20:00, dead 18:00	Shoulder hours unsold	Early-evening products: pre-theatre menu, counter seats
Friday ≫ Tuesday (3×+)	Demand concentration	Events & private dining on the quiet side (reservations guide, ch. 5)
Flat everywhere	Pricing too timid at peak	Premium peak experiences; the menu guide's anchoring

Your **analytics dashboard** can compute it per service automatically; review it monthly next to prime cost. One number for what comes in per seat-hour, one for what goes out — together they are the cockpit.

◉ DO THIS TONIGHT

Compute RevPASH for your best and worst service last week. Write both numbers down and the ratio between them. If it's above 3×, chapter 5 of the reservations guide is your highest-paying reading this month.

GOING DEEPER

Occupancy rate is the KPI almost every restaurant owner watches. And yet it is one of the most misleading metrics in hospitality. A full dining room does not guarantee strong revenue — and a half-empty room can be surprisingly profitable. The KPI that exposes this difference is called RevPASH: Revenue Per Available Seat Hour.

RevPASH was popularised in the 1990s by hospitality researcher Sheryl Kimes at Cornell University, partly inspired by the RevPAR concept from the hotel industry. Today it has become the central performance metric for many leading restaurant groups worldwide. In this article you will learn the fundamentals, master the formula and discover five concrete levers to improve your RevPASH — with specific attention to the UK gastronomic context.

Occupancy is the KPI that almost every restaurant owner follows. But did you know that a full house is no guarantee of a good turnover?

Meet RevPASH: Revenue Per Available Seat Hour. It measures how many dollars each seat in your restaurant generates on average for every hour you are open.

The RevPASH Formula

Understanding the Turnover Paradox

- **Scenario A:** A full room (100% occupancy) with guests who stay long and spend little can surprisingly yield lower revenue.
- **Scenario B:** A half-full room (50% occupancy) with a fast rotation can result in higher revenue and a higher RevPASH.

RevPASH Optimization

You increase your RevPASH through:

1. Table Assignment
2. Day-part Analysis
3. Menu Engineering

Want to improve your RevPASH and make your restaurant more profitable? Discover how **HappyChef** analytics helps you maximize every seat.

What is RevPASH?

RevPASH stands for Revenue Per Available Seat Hour. It measures how much revenue each seat in your restaurant generates on average per hour that you are open.

The basic formula is straightforward:

There is also an alternative calculation that provides intuitive insight:

This second formula immediately reveals the two levers that determine RevPASH: how many seats are occupied and what guests spend on average. You can increase RevPASH by raising occupancy, by raising the average spend, or — the most powerful scenario — by improving both simultaneously.

A worked example

Suppose your restaurant has 40 seats. On a Friday evening you are open from 6 pm to 11 pm — that is 5 hours. Total revenue that evening is £2,400.

RevPASH = £2,400 ÷ (40 × 5) = £2,400 ÷ 200 = **£12 per seat-hour**

Using the alternative formula: suppose you have an average of 28 of the 40 seats occupied (70% occupancy) and the average spend per guest is £60.

However, if guests stay for an average of 2.5 hours, you need to convert the spend into a per-hour figure: £60 ÷ 2.5 hrs = £24 per seat-hour. Then: RevPASH = 0.70 × £24 = **£16.80**. This is closer to the direct calculation, though small differences arise because occupancy fluctuates across the service.

This immediately reveals a core insight: **average table duration** is a critical variable that occupancy rate alone never captures.

FREQUENTLY ASKED QUESTIONS

What is RevPASH and how do I calculate it for my restaurant?

RevPASH stands for Revenue Per Available Seat Hour. Calculate it by dividing your revenue in a period by the number of available seat-hours (seats × opening hours). It shows how efficiently you use your capacity.

How do I increase RevPASH in my restaurant?

By raising average spend through upselling, optimising table turnover speed, or activating quieter time slots through targeted promotions.

What other KPIs are essential alongside RevPASH for a restaurant owner?

Food cost percentage, staff cost percentage, average spend per cover, occupancy rate, and no-show percentage together give a complete picture of your restaurant's financial health.

6

COMPOUNDING

Invest like an owner: every euro must earn its keep

KEY INSIGHT

Restaurant investments — terrace, renovation, equipment, software — deserve the same costing as a dish: payback period (investment ÷ monthly gain) and a simple annual ROI. Under 18 months payback is strong; over 36 needs a strategic, not financial, justification.

COMPOUNDING FIG. 06

Make every euro earn its keep

≈5 mo judge each investment by payback period — €12k that adds €2,200 a month pays back in about 5

The first five chapters defend money; this one multiplies it. Restaurants bleed capital on enthusiasm — the €40,000 renovation that "felt right", the combi oven used at half capacity — and starve the boring investments that compound. The cure is one envelope-sized calculation before every yes: the same **ROI thinking** you now apply to dishes.

The envelope method

- **Payback period = investment ÷ extra monthly contribution.** A €12,000 terrace adding 90 covers a month at €25 contribution pays back in just over five months — screaming yes.

- **Count the costs honestly:** the oven's price includes installation, training and the service it disrupts; the terrace includes furniture, permits, and winter storage.
- **Count the gains conservatively:** use 70% of your optimistic estimate. If it still clears 18 months, proceed.

Where the boring ROI hides

The highest-return investments in this industry are rarely visible to guests: a **reservation system** that recovers no-shows (often a payback measured in weeks), energy-efficient refrigeration eating a utilities line, training that drops turnover a notch (chapter 5 of the **staffing guide** priced that), the **automation layer** that returns ten staff-hours a week. Glamour ages; compounding doesn't.

And when the investment is growth itself — a second room, a bigger lease — the rule hardens: model it on chapter 4's break-even and chapter 3's cash radar first. Growth that outruns cash is how good restaurants die ambitious.

◉ DO THIS TONIGHT

List your last three significant investments and compute their actual payback with real numbers. No judgement — calibration. Your next investment decision just got smarter than your last three.

CHEF'S SECRET

The cheapest capital in hospitality

It isn't a bank loan — it's pre-sold demand. A winemaker dinner sold out six weeks ahead, deposits on December's groups, gift cards bought in week 50 and redeemed in week 7: all of it is guests financing your cash flow at 0% interest, with zero no-show risk attached. Houses that systematically pre-sell 10–15% of next quarter's revenue rarely need their overdraft — the guest list is the credit line.

GOING DEEPER

Every euro you put into your venue competes with every other euro. A new combi oven, a terrace extension, better extraction or a reservation system — they all promise returns. The question is not whether they pay, but which pays fastest and most.

This article teaches two simple methods you can use for any investment decision, plus the thinking traps that most often cost owners money.

Payback: how fast do you get your money back?

The simplest measure is payback time: investment ÷ annual extra profit (or saving). A €6,000 dishwasher saving €3,000 a year in labour and water has a 2-year payback.

Rule of thumb: operational investments with payback under 2-3 years are usually defensible. Longer than the equipment's lifespan? You lose money. Always use conservative returns — not the brochure, the realistic figure.

ROI: what does it return in percentage?

Payback ignores what happens after. So also look at ROI: (annual return ÷ investment) × 100. Our dishwasher: (€3,000 ÷ €6,000) × 100 = 50% ROI a year — excellent.

Always compare investments the same way. Sometimes a cheap fix at 80% ROI (better plate lighting, or a system that improves your /en/blog/finance/restaurant-break-even-analysis.html) beats a prestigious renovation at 12% ROI.

Don't forget the hidden costs

The purchase price is rarely the total cost. Add installation, training, maintenance, financing costs and the time your venue is (partly) closed. A terrace looks like pure profit, but needs permits, furniture, heating, extra staff and carries weather risk.

Also factor liquidity impact: an investment that drains your cash buffer can leave you exposed to a quiet month — see /en/blog/finance/restaurant-cash-flow-management.html. A good investment both pays off and keeps your liquidity healthy.

Prioritise: not everything at once

List every desired investment, calculate payback and ROI for each, and rank them. Start with the fixes that free cash fastest — those then fund the bigger projects. Your venue grows from its own strength instead of from debt.

Tie your plan to your /en/blog/finance/revpash-restaurant-kpi.html: investments that raise revenue per available seat-hour (faster service, more turns, higher spend) hit the core of your returns.

FREQUENTLY ASKED QUESTIONS

How do I calculate the ROI of a new investment in my restaurant?

ROI = (extra revenue or cost saving per year / investment amount) × 100. A terrace costing €10,000 that generates €5,000 extra revenue per year has an ROI of 50% and a payback period of 2 years.

Which restaurant investments typically have the best payback period?

Reservation systems, staff planning tools, and energy-saving equipment have the shortest payback periods because they deliver direct cost savings.

When is leasing better than buying restaurant equipment?

Leasing is better when you want to preserve capital or upgrade quickly as technology evolves. Buying is better for long-life equipment when you have sufficient funds.

E-BOOK

How financially fit is your restaurant?

- [ ] I read my P&L monthly, in percentages of revenue
- [ ] I pay myself a real salary inside the labour line
- [ ] Prime cost is computed weekly and stays ≤60–65%
- [ ] A fixed tax percentage moves to a separate account weekly
- [ ] A rolling 13-week cash forecast is updated every Monday
- [ ] I know my break-even in covers per service

READY TO BEGIN

Want the cockpit without the spreadsheets?

HappyChef tracks covers, revenue and the booking-led forecasts behind your cash radar — the numbers in this guide, computed while you cook.

Book a demo

Free, 30 minutes, no strings attached

HappyChef