



Budgeting for 2024

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HOSPITALITY SOLUTIONS

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SPEAKERS

FRANCISCO CHRISTIAN
MANAGING PARTNER
TAYLORED HOSPITALITY SOLUTIONS

“REBOUND WITH FRANK AND JEN”

“CATERING CHRONICLES”



UPCOMING SESSIONS

Upcoming Sessions

• **11/16 at 12pm ET | DEI Committee Webinar** – Learn More about the DEI Scholarship Program to Catersource hosted by Suzi Shands, Mintahoe Catering and KT McKalla, Dutzel's Catering & Events

• **11/29 at 3pm ET | Executive Chef Roundtable** hosted by **Jay Varga**, The JDK Group and Chris Towne, Partyman Catering

Register for all upcoming sessions on the ICA homepage.
www.internationalcaterers.org

DISCLAIMER

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- We are in an unprecedented time in history and the information available to us is changing rapidly. Please refer to our most current presentation for education.
- Information provided is based upon our best judgement about what we know at this time. However, key questions remain about how to implement this program.
- The International Caterers Association (ICA) does not accept liability as it relates to the timeliness or content of the information we are sharing today or may share in the future (and we are under no legal duty to update any such information or recommendations)
- We encourage you to check in with your attorneys, CPAs and financial advisors for additional insight.

TASKS FOR TODAY

- Expectations for inflation, supply chain and direct cost increases
- Taking sales forecasts and creating the rest of the company budget
- How to create a fluid budget and share that with your management team and beyond
- What are your critical numbers and what to watch weekly and monthly

WHAT ARE THE EXPERTS
TELLING US?

Expectations for
inflation, supply
chain and direct
cost increases

WHAT ARE THE EXPERTS TELLING US?

- **GDP grew 2.1% in the 1st Qtr and 2.2% in the 2nd, outlook for 2023 was 1.1%**
- **Consumer spending was actually up in September by 0.7% which was 0.3% higher than inflation.**
- **The October jobs report confirmed that the labor force shrunk by 201,000. Job openings grew by 56,000 from August to September. There are 3.2 million more job openings than unemployed workers.**
- **Inflation will most likely end the year around 4.3% with a potential drop in January and February.**

WHAT ARE THE EXPERTS TELLING US?

- **Health plans for employers could jump up as much at 8-15%. With most employers taking on more of the burden to attract workers**
- **Gasoline and Diesel prices will continue to be 5-10% higher than 2023 levels. The national average could stabilize around \$3.80 for regular and \$4.30 for diesel. Natural Gas may provide the only relief and trend downward.**
- **Electricity will continue to carry a 3-5% or higher increase**
- **Shipping rates could be looking to fall around 33% as excess capacity continues**

WHAT ARE THE EXPERTS TELLING US?

- **Interest rates may have seen their last increase for the next few Fed meetings. Rate cuts wouldn't take place before the 2nd half of 2024. Lines of credit are hovering around 8.5% and corporate borrowing can start at 12%.**
- **Insurance rates will increase by 5-10% and those in natural catastrophe areas will see 15% as the norm**
- **Warehouse rents are looking to increase by 5-10% as record low vacancies are fueled by e-commerce sellers stockpiling inventories**

FOOD PRICE OUTLOOK





WHAT OUR INDUSTRY IS SAYING

- **Did you do a 2023 budget?**
 - 51.39% responded Yes
 - 48.61% responded No
- 7 companies responded that they have or will hit their goal as of today. Good luck to those that are close.

WHAT OUR INDUSTRY IS SAYING

- **How many times this year did you increase your food pricing?**
 - 22 companies responded 1 time
 - 19 companies responded 2 times
 - 2 companies responded 3 times
 - 5 companies responded 4+ times

- Some companies adjust pricing event by event and others offer “Market Pricing”

WHAT OUR INDUSTRY IS SAYING

- **What is your common markup for staff?**
 - 33% is the average mark up
 - 50% should be your goal
- In markets where companies rely on heavy temporary labor, those markups should be adjusted based on surge pricing.

WHAT OUR INDUSTRY IS SAYING

- **What are your event gross profit goals?**
 - Only 7 respondents here, which brings up a good point of conversation.
 - 55%
 - 62%
 - 40%
 - 30%
 - 10%
 - 55%
- **Typical Gross Profit numbers are factored on all your costs of good related to the creation of that event.**
- **No company expenses or overhead are factored.**

SALES TO COMPANY FORECAST

Taking sales
forecasts and
creating the rest of
the company
budget

Sales Projections

Direct Costs (Anything related to events)

- Food Purchases
- Offsite Labor
- Rentals
- Van and Delivery Expenses
- Event Supplies and Equipment
- Beverages
- Uniforms and Laundry
- Direct Labor
 - Kitchen
 - Packing and WH
 - Payroll Taxes

DIRECT COSTS/COSTS OF DOING BUSINESS

Typical Industry Ranges:

- Warehouse Labor, Hourly Employees - 3 to 5%
- Kitchen Labor, Hourly Employees - 12 to 20%
- Event Labor, Hourly Employees - 50%
- Food Cost - 18 to 25%
- Soft Bev Cost - 50%
- Liquor - 35%
- Disposables - 1 to 3%
- Vendors - 35%
- Venues/Third Party Commissions - 10 to 15%
- Service Charge - 50 to 100%
- Payroll Taxes for Hourly Employees
- Workers Compensation for Hourly Employees

CATERING CHRONICLES

VOLUME #2

Sales Projections

- Minus Direct Costs (40-50%)

Gross Profit (60-50%)

- Minus Expenses (40-50%)

Net Profit (5-15%)

VARIOUS WAYS TO COME UP
WITH BUDGET NUMBERS

COST OF SALES GOAL

What are my cost of sales?

3 salespeople with salary and
commissions - \$450,000

Cost of sales goal of 10%

Sales Budget Goals
\$4,500,000

VARIOUS WAYS TO COME UP
WITH BUDGET NUMBERS

BREAK EVEN AND EXPENSES

What are my monthly expenses?
***(Below the line and do not include any
Cost of Goods items)***

\$100,000 monthly

Breakeven at 50% Gross Profit Margin,
2x's monthly expenses
\$200,000 in monthly sales

Sales Budget Goals
\$2,400,000

EXPENSES/OVERHEAD/BELOW THE LINE

Expenses – Typical Industry Standards

- Rent - 10%
- Sales Expenses 1 to 2%
 - Meals & Entertainment
 - Transportation
 - Travel
 - Education
 - Dues and Subscriptions
 - Client Gifts
- Marketing Labor and Expenses - 1 to 3%
 - Inhouse and/or Outsourced Services
 - Advertising & Promotions
 - Open Houses
 - Sponsorships
 - Print Media
 - Social Media
- Salaries - 30 to 40%
 - Sales
 - Administrative
 - Executive Chef
 - Operations Director
 - Finance IT and Accounting

**EXPENSES/OVERHEAD/BELOW
THE LINE**

The following line items do not have industry standards but are common to all companies:

- Employee Health
- Utilities/Telephone/Data Processing
- Building Maintenance
- Equipment Maintenance
- Vehicle Maintenance
- Gas/Mileage
- Human Resources/Training
- Uniforms
- Audit/Legal
- Property Taxes
- Bank Charges
- Interest Income/Expense
- Depreciation

VARIOUS WAYS TO COME UP
WITH BUDGET NUMBERS

BREAK EVEN AND EXPENSES

Sales Budget Goals - \$2,400,000

Gross Profit Margin – 50%

\$1,200,000 to cover expenses

\$100,000/mo in below the line expenses

\$1,200,000 expenses

Net Income/Loss = \$0

**VARIOUS WAYS TO COME UP
WITH BUDGET NUMBERS**

EXPENSES

Expenses for the last 12 months

\$500,000 annual total

Expense % to Revenue is 55%

**$\$500,000 / .55 = \$909,090$ in sales
revenue**

**Any good CFO would tell you to round
that to \$1,000,000 as a minimum goal**

KPIs

Metrics

- All KPIs are Metrics

- All Metrics are not KPIs

- KPIs give a holistic view of the performance of different functions in your organization

- Metrics give you a picture of how different individual activities rolled out within the functions are progressing

- KPIs tell you where exactly your teams stand with respect to the overall business goals

- Individual Metrics do not give any insights on their own

- **Examples:** Pre-sales KPIs, Email Marketing KPIs, Customer Success KPIs

- **Examples:** Open Rate, Conversations in the last 2 weeks, Deals lost last quarter

Are you reviewing monthly financial statements?

- Preliminary on the 10th
- Final by the 20th
- This timing gives you the ability to adjust live

WHAT IS IMPORTANT TO KEEP AN
EYE ON?

What are your critical
numbers and what to
watch weekly and
monthly?

WHEN IS IT IMPORTANT TO
REVIEW A CRITICAL NUMBER

1. Sales closing and pacing
(Weekly)
2. Post Event Analysis (Weekly)
3. Kitchen Labor (Monthly/Payroll)
4. Warehouse
Labor(Monthly/Payroll)
5. Food Costs (Monthly)
6. Beverage Costs (Monthly)
7. Revenue to Payroll (Payroll)
8. Event Labor Revenue to Costs
(Monthly)
9. Admin/Overhead Labor Cost to
Revenue (Monthly)

WHAT IS IMPORTANT TO KEEP AN EYE ON?

Some examples:

1. Food Cost vs Food Revenue
2. Beverage Cost vs Beverage Revenue
3. F&B Cost vs Total F&B Revenue
4. Event Labor Cost vs Event Staff Revenue
5. Warehouse/Operations Cost vs Total Revenue
6. In House Costs (Food, Beverage, Staff) vs Total Revenue
7. 3rd party/Vendor Revenue vs MISC Revenue
8. Delivery/Set Up Costs vs Delivery/Set Up Revenue
9. Admin Fee vs Commissions
10. Staff Cost & Service Charge vs Staff Revenue & Service Charge Revenue



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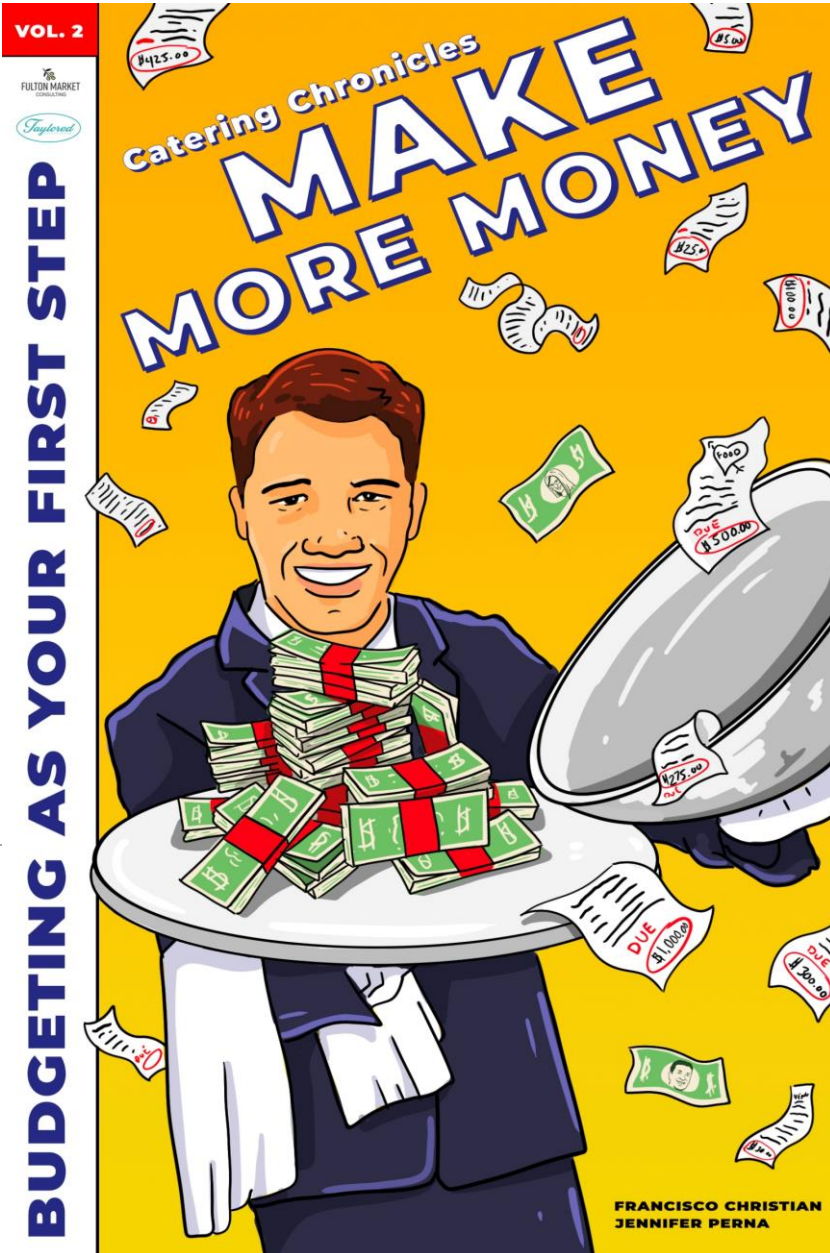
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