

CALCULATING REVENUE CAP PROFITABILITY INCREASE

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Calculating Revenue Cap Profitability Increase

Step 1: Establish the Current Revenue Cap

Identify the bar operations busiest (peak) hours and list them in the chart below. Break them down by hour and include the revenue generated as well as the number of bartenders working each hour.

Day of Week	1 hr Time Block	Peak Trade Revenue	# Bartenders
eg. Friday	8:00pm – 9:00pm	\$1700	2

Total Peak Trade Revenue (A)		Total #bartender hrs (B)		Revenue Cap/ bartender (C)
\$	÷		=	\$

Step 2: Set a New Revenue Cap Target

Now take the figures above and, after considering the current operation, estimate what increase is possible.

Current Revenue Cap/ bartender (C)		Target increase		Bartender \$/hr Target (D)
\$	+		=	\$
Total Peak Trade Revenue (A)		%		New Revenue Cap Target (E)
\$	+		=	\$
New Revenue Cap Target (E)		Peak Trade Revenue (A)		Incremental Revenues (F)
\$	-		=	\$

Step 3: Estimate Profit Potential of Increased Revenues

Now take the original peak trade revenue (A) and apply the venue's current net profit percentage. Then take the incremental revenues (F) and complete the equation before comparing the results.

Total Peak Trade Revenue (A)		% Net Profit		Profit on current Peak Trade Revenue
\$	x	%	=	\$
Incremental Revenues (F)		% Net Profit		Profit on Incremental Revenues
\$	x	60%	=	\$

IMPORTANT: Profitability on the increased revenue is approximately 60%, as the majority of business costs are already covered. The 40% cost allows for a 30% cost of goods for extra product sold plus an extra 10% to cover any incidental costs.



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