Guest Economics Formulas

Product · https://kb.jeffreysummers.com/docs/guest-economics-formulas/

Every cost an operator can see on a P&L has a twin the P&L never prints. The Guest who didn't come back, the table that turned slowly, the seat that sat empty, the cast member who walked out the door — none of them show up as a line item, and all of them cost money. This is the reference. Every calculation that puts a number on what a visit is worth, what a failure costs, and what recovery earns.

Use it two ways. Run the visit-value numbers — what a Guest is worth, what a bad visit costs — before you decide what to spend on the experience. Run the failure-cost numbers — what a delay costs, what turnover costs, what an empty seat costs — before you decide what a fix is worth. Each block names the formula, the inputs, the unit, and when it earns its keep.

Value Of A Visit

Formula: Visit value = Average check × Gross margin %

Inputs: Average check, gross margin percentage

Unit: Currency per visit

When to use: Before setting any policy that risks a visit. This is what one Guest walking in the door is worth, before you count repeat or referral.

Value Of A Guest

Formula: Guest value = Visit value × Visits per year × Years retained

Inputs: Visit value, visit frequency, retention length

Unit: Currency per Guest

When to use: When deciding what to spend to keep a Guest. This is the number that tells you what a relationship is worth, not just a transaction.

Cost Of A Bad Visit

Formula: Cost of a bad visit = Guest value × Probability the Guest does not return

Inputs: Guest value, estimated probability of losing the Guest

Unit: Currency per incident

When to use: When deciding whether to comp, remake, or recover. A bad visit costs the full value of the relationship it ends, not the cost of the dish.

Cost Of A Discount Or Comp

Formula: Cost of a discount = Amount discounted × Multiplier required to recover it. Multiplier = 1 ÷ Gross margin %

Inputs: Discount amount, gross margin percentage

Unit: Currency of additional sales required

When to use: Before running any promotion or issuing any comp. A 10 percent discount at a 30 percent margin requires 33 percent more sales to recover.

Revenue Lost To A Slow Turn

Formula: Lost revenue = (Additional turns possible × Seats per table) × Average check × Gross margin %

Inputs: Turns possible, seats per table, average check, gross margin

Unit: Currency per service period

When to use: When deciding whether a kitchen or service delay is worth fixing. This is what the slow table costs the room, not what the delay costs in minutes.

Revenue Lost To A Walk-In

Formula: Lost revenue = Party size × Average check × Gross margin % × Probability the party would have returned

Inputs: Party size, average check, gross margin, return probability

When to use: When deciding what a host-stand or wait-time problem is worth. A walk that doesn't wait costs the visit and the relationship.

Revenue Lost To An Empty Seat

Formula: Lost seat revenue = Empty seat-hours × Average check per seat-hour × Gross margin %

Inputs: Empty seat-hours, revenue per seat-hour, gross margin

Unit: Currency per service period

When to use: When deciding whether a slow daypart is worth carrying. An empty seat in a room you are paying to keep open is not neutral; it is a cost.

Value Of A Recovered Guest

Formula: Recovery value = Guest value × Probability of retention after recovery − Cost of the recovery

Inputs: Guest value, retention probability, cost of the recovery gesture

Unit: Currency

When to use: When deciding how much to spend to save a bad experience. A recovered Guest is usually worth far more than the recovery costs.

Cost Of A Delay

Formula: Delay cost = Minutes delayed × Covers affected × Revenue per minute per cover × Gross margin %

Inputs: Delay minutes, affected covers, revenue rate, gross margin

Unit: Currency per incident

When to use: When deciding whether to add capacity, add a station, or change a process. This is what a kitchen or host-stand delay costs in revenue, not in Guest frustration.

Cost Of Cast Turnover In One Position

Formula: Turnover cost = Recruiting cost + Training cost + (Ramp period × Lost productivity per period) + Lost Guest-relationship value

Inputs: Recruiting spend, training hours and rate, ramp length, productivity gap, Guest value attached to the departing cast member

Unit: Currency per departure

When to use: When deciding whether to fix the reason people leave. This number is almost always larger than the cost of the fix, which is why it matters.

Referral Value

Formula: Referral value = Referrals per year × Guest value × Conversion rate

Inputs: Referral count, Guest value, conversion percentage

Unit: Currency per year

When to use: When valuing a strong Guest relationship beyond the direct visits. A Guest who sends business is worth more than the visits they buy.

Cost Of A Mistake

Formula: Mistake cost = Cost to remake or replace + Labor cost of the remake + Visit value of the affected Guest × Probability of lost return

Inputs: Remake cost, labor, visit value, loss probability

Unit: Currency per incident

When to use: When deciding what a quality failure actually costs. The dish is the cheap part; the relationship is what the mistake risks.