

syrve

Test your knowledge of Labour Cost Percentage (LCP)

Questions, answers and insights for
restaurant industry professionals



Introduction to LCP

LCP is an essential metric for running a restaurant business. But how much do you know about LCP – and the ways it can be influenced? Answer the following questions to explore this topic.

Q1: What is the formula used to calculate LCP metric?

- a) Total labour costs / Total revenue
- b) Total labour costs / Total food sales
- c) Total labour costs / Total beverage sales
- d) Total labour costs / Total operating expenses

Q2: What is the purpose of calculating the LCP?

- a) To track employee attendance
- b) To ensure compliance with labour laws
- c) To evaluate the efficiency of labour usage
- d) To track customer satisfaction

Q3: What is the ideal LCP for a restaurant?

- a) 0-15%
- b) 15-30%
- c) 30-45%
- d) 45%+

Q4: Which factor DOES NOT affect an operator's LCP?

- a) Seasonality and staffing needs
- b) Overtime and scheduling
- c) Employee turnover and training
- d) Wage rates and benefits
- e) Payroll taxes and insurance
- f) Performance management and incentives
- g) Productivity and efficiency
- h) Rent/Lease costs
- i) Sales volume

[See next page for the answers ->](#)

Section 1:

Answers

Q1: What is the formula used to calculate LCP metric?

Answer: **a)** $\frac{\text{Total labour}}{\text{Total revenue}}$.

Explanation: LCP is a key metric that measures the percentage of total revenue that a restaurant spends on labour costs. The formula for calculating LCP is dividing the total labour costs by the total revenue generated during the same period. This metric is essential for restaurant owners and managers to determine if their labour costs are within the desired range. A high LCP could indicate that the restaurant is not using labour efficiently or that labour costs are higher than industry standards. Conversely, a low LCP could indicate that the restaurant is understaffed or underutilising its workforce.

Q2: What is the purpose of calculating the LCP?

Answer: **c)** To evaluate the efficiency of labour usage.

Explanation: The purpose of calculating the LCP is to determine the percentage of total sales that is being spent on labour costs. This allows a restaurant to evaluate the efficiency of its staffing and make adjustments as necessary to control costs and improve profitability.

[← Go back to the questions](#)

Q3: What is the ideal LCP for a restaurant?

Answer: **b)** 15-30%.

Explanation: LCP is a key metric that measures the percentage of total revenue that goes towards labour costs, including wages, benefits and payroll taxes. A low LCP indicates that the restaurant is effectively managing its labour costs and generating more profit, while a high LCP could suggest inefficiencies in staffing or scheduling.

When it comes to benchmarking LCP, there are several factors that a restaurant should consider, including the type of restaurant, location and size of the business. Some general benchmarks to compare against include:

1. **Quick-service restaurants:** 20%- Best-in-class / 25%- Average / 30%- Low Performance
2. **Fine dining restaurants:** 25%- Best-in-class / 30%- Average / 35%- Low Performance
3. **Cafe:** 25%- Best-in-class / 30%- Average / 35%- Low Performance
4. **Pub:** 30%- Best-in-class / 35%- Average / 40%- Low Performance

It's important to note that these are just general benchmarks and may not apply to every restaurant. Factors that restaurants should consider when benchmarking their LCP include:

1. **Type of restaurant:** Different types of restaurants may have different labour costs. For example, fine dining restaurants may have higher labour costs compared to quick-service restaurants due to more highly trained staff and a higher level of service.
2. **Location:** Restaurants in urban areas may have higher labour costs due to higher wages and cost of living, which can impact the LCP.
3. **Size of the restaurant:** Smaller restaurants may have higher LCP due to having fewer staff and less ability to benefit from economies of scale.

In addition to these factors, restaurants should also consider optimising their scheduling and labour management practices, such as cross-training staff and using technology to optimise scheduling, in order to reduce their labour costs. By regularly tracking and benchmarking their LCP, restaurants can identify areas for improvement and optimise their profitability.

Q4: Which factor DOES NOT affect an operator's LCP?

Answer: **h)** Rent/Lease costs

Explanation: Rent or lease costs are not included in the calculation of LCP. While they are an important expense for restaurant operations, they are not directly related to the cost of labour used in the business. However, high rent or lease costs can indirectly impact LCP by increasing the need to reduce labour costs or by reducing the budget available for labour expenses.

Here's how the other factors impact LCP:

1. **Seasonality and staffing needs:** Seasonal fluctuations in the demand for labour can affect LCP. Restaurants may need to hire additional staff during peak seasons, which can increase labour costs.
2. **Overtime and scheduling:** Overtime pay and scheduling can also impact LCP. If employees are regularly working overtime, it can increase labour costs. Additionally, inefficient scheduling can lead to overstaffing, which can increase LCP. Employee turnover and training: High turnover rates can increase LCP, as the cost of recruiting, hiring and training new employees can add up quickly. Proper training can help reduce labour costs by improving productivity and reducing errors.
3. **Wage rates and benefits:** Wage rates and benefits can impact LCP as they directly affect the cost of labour. Higher wage rates and benefits can increase LCP, while lower wage rates and benefits can decrease LCP.
4. **Payroll taxes and insurance:** Payroll taxes and insurance also contribute to LCP. Employers are required to pay payroll taxes which can increase labour costs.
5. **Performance management and incentives:** Proper performance management and incentive programs can help improve productivity and reduce labour costs. Incentive programs can motivate employees to work more efficiently, which can lead to cost savings.
6. **Productivity and efficiency:** Improving productivity and efficiency can help reduce LCP. Proper training, scheduling and equipment can all contribute to improved productivity and lower labour costs.
7. **Sales volume:** Changes in sales volume can impact LCP as labour costs are often fixed in the short-term. During slow periods, restaurants may need to reduce staff or cut hours to reduce labour costs. Conversely, during busy periods, additional staff may be required, which can increase LCP.

Syrve & labour cost percentage

New technology can be a game-changer for restaurant executives and managers.



Q1: How can Syrve restaurant control platform help improve a restaurant's LCP?

- a) By offering marketing and advertising services to attract more customers
- b) By providing training for front-of-house staff to improve customer service
- c) By providing scheduling and time tracking tools to manage labour costs
- d) By offering entertainment and event planning services to increase revenue

Q2: What is LCP and why is it important for a restaurant to track this metric?

- a) The percentage of a restaurant's kitchen expenses that are allocated to labour costs – and it is important to track this metric to identify areas for cost-cutting.
- b) The percentage of a restaurant's revenue that is spent on employee wages and benefits – and it is important to track this metric to monitor labour costs and ensure profitability.
- c) The percentage of a restaurant's food revenue that is generated by labour-intensive menu items – and it is important to track this metric to evaluate the menu's profitability.
- d) The percentage of a restaurant's customer complaints related to employee performance – and it is important to track this metric to improve customer service and employee training.

[See next page for the answers ->](#)

Section 2: Answers

Q1: How can Syrve restaurant control platform help improve a restaurant's LCP?

Answer: **c)** By providing scheduling and time tracking tools to manage labour costs.

Explanation: The Syrve restaurant control platform can help improve a restaurant's LCP by providing scheduling and time tracking tools to manage labour costs.

By using these tools, a restaurant can optimise labour scheduling, minimise overtime costs and monitor employee performance to ensure that they are working efficiently.

Q2: What is LCP and why is it important for a restaurant to track this metric?

Answer: **b)** The percentage of a restaurant's revenue that is spent on labour costs – and it is important to track this metric to ensure employee efficiency.

Explanation: LCP is the percentage of a restaurant's revenue that is spent on labour costs, including wages, benefits and payroll taxes. It is important for a restaurant to track this metric to ensure employee efficiency and optimise staffing levels. By tracking LCP, a restaurant can identify areas for improvement in employee productivity, reduce labour costs and improve profitability. It is also important to consider LCP in relation to revenue, as a higher LCP may be acceptable for a higher-end restaurant with higher menu prices and greater revenue, compared to a casual restaurant with lower menu prices and lower revenue.

[← Go back to the questions](#)

Factors affecting LCP

LCP can vary between restaurants for a number of reasons.

Q1: Which of the following variables could have an impact on a restaurant's LCP?

- a) The age of the restaurant's employees
- b) The level of competition in the local labour market
- c) The type of music played in the restaurant
- d) The restaurant's advertising budget

Q2: Which of the following factors may result in a higher target LCP for a specific restaurant?

- a) A menu with complex dishes
- b) A high-end wine list
- c) A large restaurant size
- d) All of the above

Q3: Which of the following factors could result in a higher target LCP for a specific restaurant?

- a) A menu with simpler dishes
- b) A small restaurant size
- c) Offering health benefits and paid time off to employees
- d) Installing energy-efficient lighting and appliances in the restaurant
- e) Serving locally-sourced ingredients
- f) Investing in staff training and development programs
- e) A high percentage of takeout orders

Q4: Which of the following factors may result in a lower target LCP for a specific restaurant?

- a) Hiring part-time employees
- b) Implementing a more efficient scheduling system
- c) Reducing the number of menu items
- d) Switching to a self-service model

Q5: How does service style impact the target LCP?

- a) Fine dining restaurants have a lower target LCP than quick-service restaurants due to the difference in service style.
- b) Fast-casual restaurants have a higher target LCP than quick-service restaurants due to the difference in service style.
- c) Fine dining restaurants and quick-service restaurants have the same target LCP.

[See next page for the answers ->](#)

Section 3:

Answers

Q1: Which of the following variables could have an impact on a restaurant's LCP?

Answer: **b)** The level of competition in the local labour market

Explanation: The level of competition in the local labour market can have an impact on a restaurant's LCP. If there is a high demand for skilled labour in the area, the restaurant may have to pay higher wages to attract and retain qualified employees. On the other hand, if there is a surplus of labour in the area, the restaurant may be able to pay lower wages and reduce its LCP. The age of employees, type of music and advertising budget are unlikely to have a direct impact on LCP.

Q2: Which of the following factors may result in a higher target LCP for a specific restaurant?

Answer: **d)** All of the above

Explanation: A menu with complex dishes may require more highly trained and skilled staff, leading to higher labour costs. A high-end wine list may also require a more experienced and knowledgeable staff, leading to higher labour costs. Larger restaurants may require more staff to handle the increased volume of customers, also leading to higher labour costs.

Q3: Which of the following factors could result in a higher target LCP for a specific restaurant?

Answer: **f)** Investing in staff training and development programs

Explanation: While investing in staff training and development programs can lead to more knowledgeable and skilled employees, it may also result in higher labour costs for the restaurant. Training programs, seminars and workshops can be costly and employees may require additional compensation for the time spent attending these activities. Offering health benefits and paid time off to employees may increase labour costs, but may be a legal requirement in some regions and also improve employee satisfaction and retention. Installing energy-efficient lighting and appliances and serving locally-sourced ingredients may have an impact on operating costs but may not necessarily result in a higher target LCP.

Q4: Which of the following factors may result in a lower target LCP for a specific restaurant?

Answer: **d)** Switching to a self-service model

Explanation: Implementing a self-service model can significantly reduce labour costs since fewer employees are needed to serve customers. This can result in a lower target LCP. Hiring part-time employees, implementing a more efficient scheduling system and reducing the number of menu items can also have an impact on labour costs, but they may not necessarily result in a lower target LCP.

Q5: How does service style impact the target LCP?

Answer: **b)** Fast-casual restaurants have a higher target LCP than quick-service restaurants due to the difference in service style.

Explanation: Fast-casual restaurants typically offer higher quality food than quick-service restaurants and may require more skilled staff to prepare and serve the food. This can result in higher labour costs compared to quick-service restaurants, which often require fewer skilled staff. Fine dining restaurants may have even higher labour costs due to the more formal and elaborate service they provide. However, the LCP target can vary based on many factors beyond just service style.

[<- Go back to the questions](#)

Strategies for improving LCP

You can increase or reduce your labour costs in a variety of ways.

Q1: Which of the following strategies is likely to help improve a restaurant's LCP?

- a) Hiring more full-time employees
- b) Reducing employee wages
- c) Increasing employee benefits
- d) Increasing the number of menu items

Q2: Which of the following strategies is NOT likely to help improve a restaurant's LCP?

- a) Cross-training employees to perform multiple tasks
- b) Reducing employee turnover
- c) Reducing employee hours
- d) Implementing technology to automate tasks

Q3: Which of the following strategies is likely to help improve a restaurant's LCP in the long-term?

- a) Cutting employee benefits
- b) Increasing employee wages
- c) Investing in employee training and development
- d) Hiring more part-time employees

Q4: Which of the following strategies is likely to help improve a restaurant's LCP during periods of low sales?

- a) Reducing employee hours
- b) Increasing employee benefits
- c) Reducing employee training
- d) Cross-training employees to perform multiple tasks

Q5: Which of the following is an example of a variable labour cost?

- a) Employee salaries
- b) Rent for the restaurant space
- c) Hourly wages for servers
- d) Equipment repairs and maintenance

Q6: Which of the following is an effective strategy for reducing labour costs in a full-service restaurant?

- a) Implementing self-service kiosks for ordering and payment
- b) Hiring more staff to increase efficiency
- c) Offering higher wages to attract more experienced employees
- d) Increasing the number of paid holiday breaks for staff

[See next page for the answers ->](#)

Section 4:

Answers

Q1: Which of the following strategies is likely to help improve a restaurant's LCP?

Answer: **d)** Increasing the number of menu items

Explanation: Increasing the number of menu items can help spread labour costs across a larger number of sales, thereby improving the LCP. Hiring more full-time employees, reducing employee wages, or increasing employee benefits could all potentially increase labour costs and have the opposite effect.

Q2: Which of the following strategies is NOT likely to help improve a restaurant's LCP?

Answer: **c)** Reducing employee hours

Explanation: Reducing employee hours can lead to reduced productivity and potentially lower quality service, which could negatively impact sales and the LCP. Cross-training employees, reducing employee turnover and implementing technology to automate tasks can all potentially improve efficiency and reduce labour costs

Q3: Which of the following strategies is likely to help improve a restaurant's LCP in the long-term?

Answer: **c)** Investing in employee training and development

Explanation: Investing in employee training and development can improve employee efficiency, productivity and job satisfaction, leading to lower turnover and better quality service. This can ultimately lead to a better LCP. Cutting employee benefits, increasing employee wages, or hiring more part-time employees could all potentially increase labour costs and have the opposite effect.

Q4: Which of the following strategies is likely to help improve a restaurant's LCP during periods of low sales?

Answer: **d)** Cross-training employees to perform multiple tasks

Explanation: Cross-training employees to perform multiple tasks can help improve efficiency and reduce labour costs during periods of low sales by ensuring that there are enough employees available to perform all necessary tasks without needing to call in additional staff. Reducing employee hours or training, or increasing employee benefits, could all potentially have negative impacts on employee morale and quality of service.

Q5: Which of the following is an example of a variable labour cost?

Answer: **c)** Hourly wages for servers

Explanation: Variable labour costs are expenses that increase or decrease depending on the level of business activity. Hourly wages for servers are an example of variable labour costs because the amount spent on wages will vary based on the number of customers and level of business activity. Employee salaries, rent and equipment repairs and maintenance are considered fixed labour costs, which remain constant regardless of business activity.

Q6: Which of the following is an effective strategy for reducing labour costs in a full-service restaurant?

Answer: **a)** Implementing self-service kiosks for ordering and payment

Explanation: Implementing self-service kiosks for ordering and payment can help reduce labour costs by reducing the number of employees needed to take orders and process payments. This can also improve efficiency and reduce wait times for customers. Hiring more staff or offering higher wages can increase labour costs, while increasing the number of paid holiday breaks for all employees can increase non-productive time and reduce productivity.

[<- Go back to the questions](#)

Common mistakes to avoid

Labour costs can keep rising, go sky-high or fall — due to wide variety of factors.

Q1: Which of the following is a common mistake that can lead to a higher LCP?

- a) Scheduling too many staff during slow periods
- b) Scheduling too few staff during busy periods
- c) Offering employees additional benefits and perks
- d) All of the above

Q2: Which of the following is a common mistake that can lead to a lower LCP?

- a) Failing to track employee hours accurately
- b) Paying employees too much
- c) Offering employees too many breaks
- d) None of the above

Q3: Which of the following is a common mistake that can lead to a higher LCP?

- a) Failing to provide employees with clear job expectations
- b) Providing inadequate training to employees
- c) Offering too many overtime hours to employees
- d) All of the above

Q4: Which of the following mistakes can lead to higher labour costs and lower LCP?

- a) Overstaffing during slow periods
- b) Understaffing during peak periods
- c) Allowing employees to work unauthorised overtime
- d) All of the above

Q5: What is a common mistake that managers make when creating labour schedules?

- a) Not taking into account historical sales data
- b) Not considering employee availability and preferences
- c) Ignoring weather forecasts and seasonal trends
- d) All of the above

Q6: Which of the following can lead to inefficiencies and higher labour costs?

- a) Poor communication between front-of-house and back-of-house staff
- b) Inadequate training and onboarding processes
- c) Inefficient use of technology and automation
- d) All of the above

[See next page for the answers ->](#)

Section 5:

Answers

Q1: Which of the following strategies is likely to help improve a restaurant's LCP?

Answer: **b) Scheduling too few staff during busy periods**

Explanation: When restaurants are understaffed during busy periods, it can lead to longer wait times for customers and lower sales. To compensate, existing staff may need to work longer hours, resulting in higher labour costs. Therefore, it is essential to ensure adequate staffing levels during busy periods to prevent a higher LCP.

Q2: Which of the following is a common mistake that can lead to a lower LCP?

Answer: **a) Failing to track employee hours accurately**

Explanation: Failing to track employee hours accurately can lead to employees being underpaid or overpaid, resulting in a lower or higher LCP, respectively. To avoid this mistake, it is crucial to implement a reliable time-tracking system and ensure that employees are accurately recording their hours.

Q3: Which of the following is a common mistake that can lead to a higher LCP?

Answer: **c) Offering too many overtime hours to employees**

Explanation: Offering too much overtime to employees can result in higher labour costs, as overtime pay is usually higher than regular pay. Therefore, it is essential to limit the amount of overtime offered and ensure that employees are not working more hours than necessary to complete their job duties.

Q4: Which of the following mistakes can lead to higher labour costs and lower LCP?

Answer: **d) All of the above**

Explanation: Overstaffing during slow periods can result in excess labour costs, while understaffing during peak periods can lead to longer wait times and poor customer service, which can ultimately affect sales. Allowing employees to work unauthorised overtime can result in higher labour costs, as well as potential legal issues.

Q5: What is a common mistake that managers make when creating labour schedules?

Answer: **d) All of the above**

Explanation: Not taking into account historical sales data can result in overstaffing or understaffing, while not considering employee availability and preferences can lead to employee dissatisfaction and high turnover. Ignoring weather forecasts and seasonal trends can result in inaccurate labour schedules, which can also lead to overstaffing or understaffing.

Q6: Which of the following can lead to inefficiencies and higher labour costs?

Answer: **d) All of the above**

Explanation: Poor communication between front-of-house and back-of-house staff can result in delays and mistakes, which can ultimately lead to higher labour costs. Inadequate training and onboarding processes can result in employees not performing their tasks efficiently, while inefficient use of technology and automation can also lead to inefficiencies and higher labour costs.

[<- Go back to the questions](#)

Conclusion

In a highly competitive industry where profit margins can be thin, keeping a close eye on LCP is critical.

Q1: Why is it important for restaurant operators to track and manage their LCP?

- a) To ensure compliance with labour laws and regulations
- b) To maximise profits and stay competitive
- c) To keep track of employee productivity
- d) All of the above

Q2: Which of the following external factors make it a necessity for restaurant operators to track and manage their LCP?

- a) Fluctuations in the economy
- b) Changes in minimum wage laws
- c) Competition from other restaurants
- d) All of the above

Q3: How can tracking and managing LCP help restaurant operators make better staffing decisions?

- a) By identifying periods of high and low customer demand
- b) By analysing employee productivity and scheduling
- c) By ensuring compliance with labour laws and regulations
- d) All of the above

Q4: What are some potential consequences of not tracking and managing LCP?

- a) Increased labour costs
- b) Decreased profitability
- c) Reduced employee morale
- d) All of the above

[See next page for the answers ->](#)

Section 6:

Answers

Q1: Why is it important for restaurant operators to track and manage their LCP?

Answer: **b)** To maximise profits and stay competitive

Explanation: By tracking and managing their LCP, restaurant operators can identify inefficiencies and areas for improvement, which can help reduce labour costs and increase profitability. This is especially important in a competitive industry where small profit margins can make a big difference.

Q2: Which of the following external factors make it a necessity for restaurant operators to track and manage their LCP?

Answer: **d)** All of the above

Explanation: External factors such as changes in the economy, minimum wage laws and competition can all impact a restaurant's labour costs. By tracking and managing their LCP, restaurant operators can stay on top of these changes and make informed decisions to help mitigate their impact on profitability.

Q3: How can tracking and managing LCP help restaurant operators make better staffing decisions?

Answer: **d)** All of the above

Explanation: By tracking and managing their LCP, restaurant operators can identify trends in customer demand and employee productivity, which can help inform staffing decisions. Additionally, by ensuring compliance with labour laws and regulations, operators can avoid costly penalties and legal issues.

Q4: What are some potential consequences of not tracking and managing LCP?

Answer: **d)** All of the above

Explanation: Without tracking and managing LCP, restaurant operators may miss opportunities to identify inefficiencies and reduce labour costs. This can result in decreased profitability and employee morale. Additionally, failure to comply with labour laws and regulations can lead to costly penalties and legal issues.

[<- Go back to the questions](#)

How did you do?

Finding ways to manage LCP is a key challenge for UK restaurants. But Syrve's solutions can help with LCP tracking, automating manual tasks and providing actionable insights.

Contact us to discover more about optimising your LCP. We can also help you to find other ways to boost performance and efficiency within your restaurant operation.

e: uk@syrve.com

syrve

