

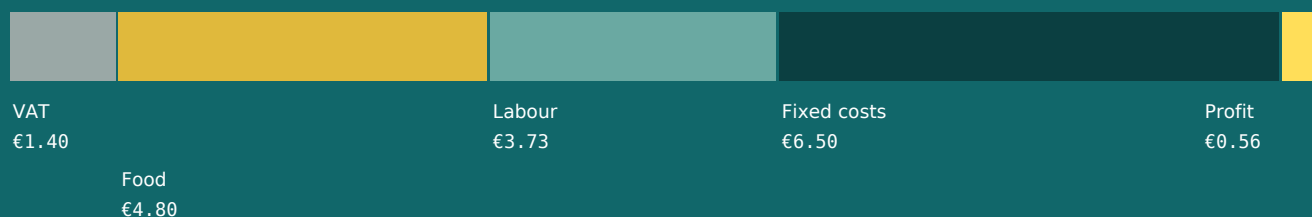
A GUIDE FOR NON-SPECIALISTS

UNDERSTANDING HOSPITALITY ECONOMICS

Facts and figures for non-specialists

Ireland

WHERE €17.00 GOES



How restaurants, cafés, hotels and staff restaurants make money and why some fail despite full tables.

INTRODUCTION

Why a full restaurant can still go bust

From the outside, hospitality looks simple: guests come in, eat and pay. Look closer and you find a business with high fixed costs, a great deal of manual work and very thin margins. A restaurant can be full every night and still lose money, while an unassuming bistro can earn a steady living for years.

This guide explains the commercial mechanics in plain language, with no trade background required. It is written for investors and lenders, hotel and property owners, landlords, companies running a staff restaurant, career changers and anyone who deals with hospitality without working the pass themselves.

This is the edition for Ireland. Market data, VAT rates, minimum wage and the rules on staff meals all refer to Ireland. Every worked example uses transparent model figures in EUR, adjusted to the local price level. They match the free calculators on [bauchfood.com](https://www.bauchfood.com), so you can rerun each example with your own numbers.

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Five things you will know after reading this guide

- 1. Sales are not profit. In our example, a dish sold for €17.00 leaves €0.56.
- 2. The first 1,712 guests of the month only pay the bills. Profit starts after that.
- 3. Labour, not food, is now the largest cost block.
- 4. Small price changes have more impact than almost any cost cut.
- 5. If you do not see your numbers every month, you are steering in the fog.

01 · MARKET: IRELAND

The market in numbers

Eating out in Ireland has become 28.1% more expensive since 2019. At the same time labour costs keep rising and are now the largest cost block in most businesses.

+ 28.1%

restaurant and café prices in 2025 compared with 2019. EU-27: + 32.1%.

Source [1]

€14.15

statutory minimum wage per hour in 2026.

Source [2]

9%

VAT on food served on the premises; soft drinks 13.5%, alcoholic drinks 23%.

Source [3]

200+

restaurants closed in the first half of 2025 (press report on the Restaurants Association of Ireland's budget submission).

Source [4]

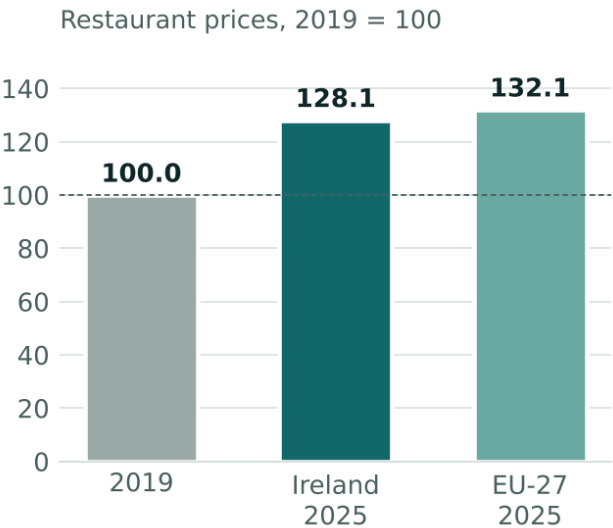


Chart 1. Sources [1].

9% on food since 1 July 2026, scheduled until 31 December 2030.

Key takeaway

Higher sales do not mean more business. What counts is what is left after all costs, and for many businesses that has shrunk in recent years.

02 · FOUNDATIONS

The key terms

These terms appear in every monthly report, lease negotiation and business plan. The examples refer to the model dish and model restaurant used throughout this guide.

Term	Meaning	Example
Gross and net sales	Gross is what the guest pays. Net is what remains after VAT, which goes to the tax authority. All ratios refer to net sales.	€17.00 gross at 9% VAT is €15.60 net.
Cost of goods (food cost)	Purchase cost of the food and drink sold, usually as a percentage of net sales.	€4.80 of ingredients for the dish, i.e. 30.8%.
Labour cost	Wages plus employer contributions, premiums, holiday and sick pay. Usually the largest cost block today.	8 minutes at €28.00 per hour is €3.73 per portion.
Prime cost	Goods plus labour. The two largest blocks combined and the most important control figure.	In restaurants, a practical ceiling of 68 to 74%.
Fixed costs	Costs that arise regardless of guest numbers: rent, core staff, leasing, insurance.	€44,330 per month in the model restaurant.
Contribution margin I	Net price minus cost of goods: the money a product contributes towards all other costs.	$€15.60 - €4.80 = €10.80$
Contribution margin II	Contribution margin I minus directly attributable labour.	$€10.80 - €3.73 = €7.06$
Break-even point	The sales or guest count at which all costs are covered and profit is zero.	1,712 guests per month in the model restaurant.
Operating profit	What remains after all costs, before tax, in money and as a percentage of sales.	€4,232, i.e. 6.1%.
Average spend	Net sales divided by the number of guests.	€37.00 in the model restaurant.
Seat turnover	How many times a seat is occupied per day.	72 guests on 60 seats gives 1.2.

03 · ONE DISH, TAKEN APART

Where each euro of sales goes

A guest pays €17.00 for a main course. Many people guess that half of it is profit. The real calculation looks different. First, 9% VAT goes to the state. Then come the ingredients, the kitchen labour, and a share of rent, energy, administration and leasing that every dish has to carry.

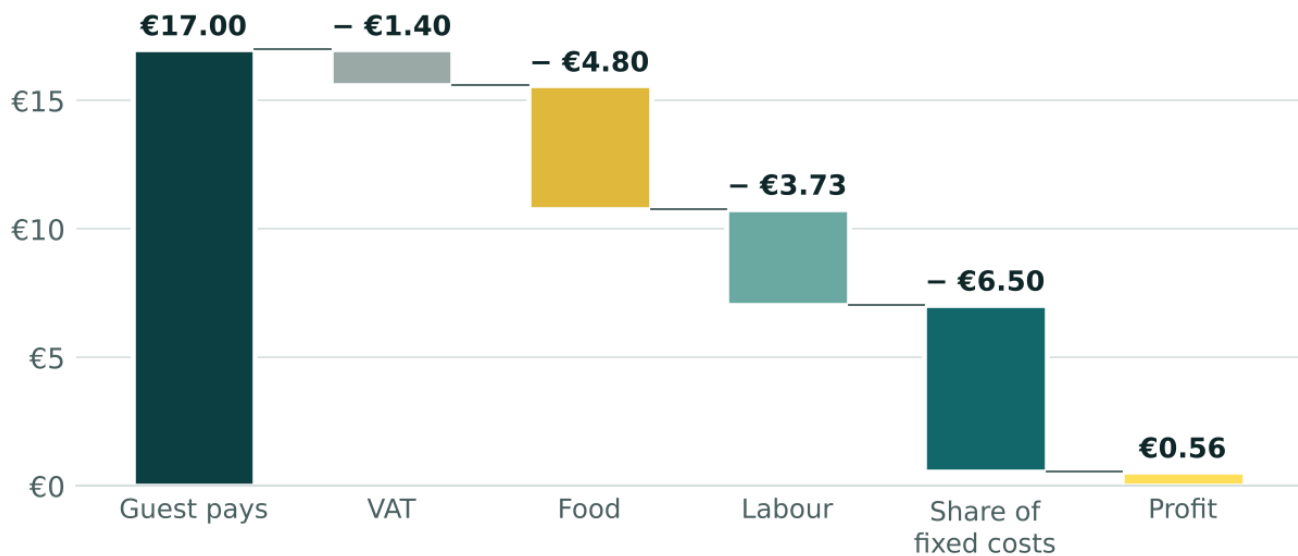


Chart 3. Model dish: food cost €4.80, 8 minutes of labour at €28.00 per hour, fixed costs of €30,000 per month, 65% carried by food, 3,000 portions per month. VAT at 9%.

Of the menu price, €0.56 is left as profit, around 4% of the net price. To reach an 8% profit target, the dish would have to sell for €18.00. That small difference decides whether the work pays off. The contribution margin calculator on [bauchfood.com](https://www.bauchfood.com) performs exactly this calculation for any dish.

Key takeaway

A dish has to carry not only its ingredients but also its labour time and its share of fixed costs. Looking only at food cost shows you a third of the picture.

Why rules of thumb mislead

For decades, the trade relied on a simple rule: multiply the food cost by three to get the menu price. That worked while labour was cheap and every dish took a similar amount of work. Today the rule leads to expensive mistakes because it ignores labour time and fixed costs. Two dishes with identical labour time make the point.

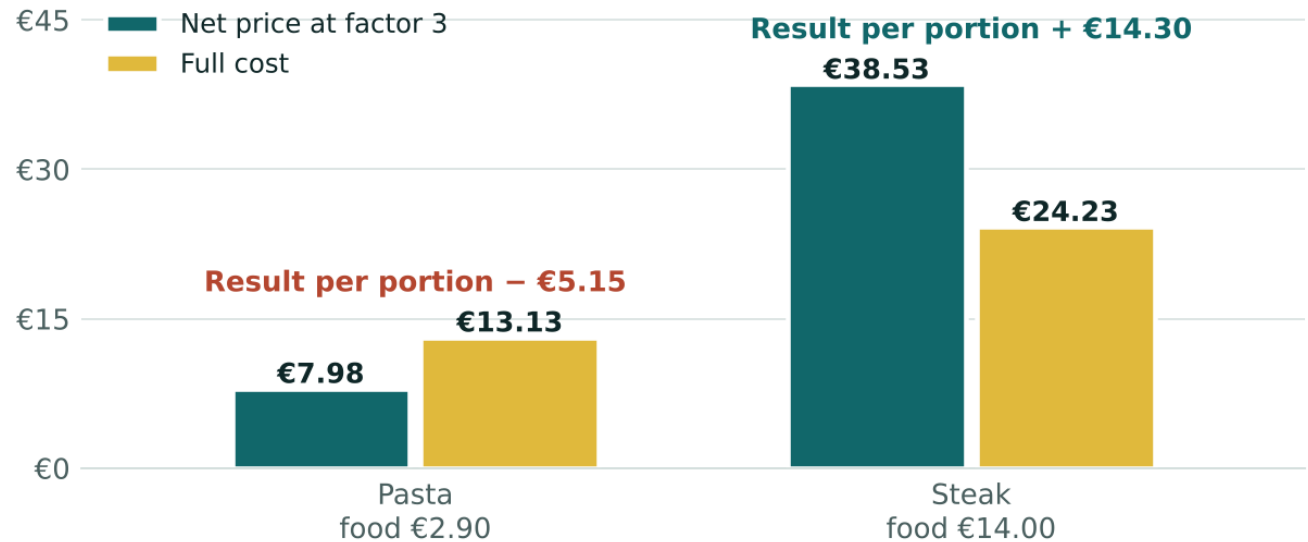


Chart 4. Both dishes take 8 minutes of labour (€3.73) and carry the same share of fixed costs (€6.50). Price = food cost × 3, VAT at 9%.

The pasta loses €5.15 every time it is sold, while the steak earns €14.30. A restaurant that mainly sells low-priced dishes slides into loss without noticing. Contribution margin costing therefore works in money, not percentages. The method is well established in the trade and is taught by chambers of commerce, among others [5].

Drinks work differently

A glass of wine needs almost no labour. Its contribution per minute of work is therefore many times higher than that of an elaborate dish, even though the percentages look similar.

	Main course	Glass of wine, 0.2 l
Guest pays	€17.00	€8.50
VAT	9%	23%
Net price	€15.60	€6.91
Goods	€4.80	€2.00 (bottle €7.50 net)
Labour time	8 min	1 min
Contribution margin II	€7.06	€4.44
Contribution per minute of labour	€0.88	€4.44

Model calculation with labour at €28.00 per hour. Wine price and purchase price are illustrative.

Key takeaway

Percentages are useful for comparison, but bills are paid in money. What matters is how much a product brings in per minute of work.

The break-even point

The model restaurant has 60 seats, 26 trading days a month and an average net spend of €37.00. Each guest generates €11.10 of food and drink cost. The remaining €25.90 per guest goes towards fixed costs of €44,330 a month: labour €29,100, occupancy €6,230, energy €3,110, depreciation and leasing €2,080, other €3,810.

In practice, most labour cost is fixed in the short term: the kitchen has to be staffed whether 40 or 80 guests turn up. The model therefore treats labour as a fixed cost.

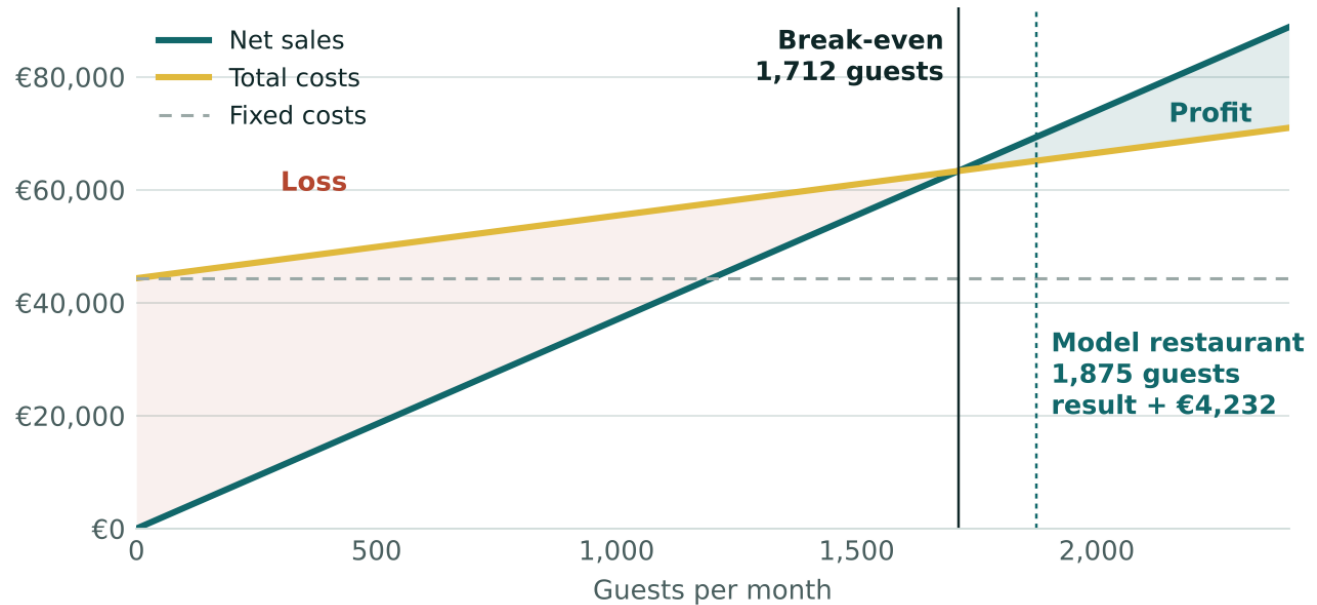


Chart 5. Break-even = fixed costs ÷ contribution per guest. Model restaurant, monthly figures, net.

Measure	Calculation	Result
Break-even point	$€44,330 \div €25.90$	1,712 guests / month
per trading day	$1,712 \div 26$	66 guests
actual guests	$1,875 \times €37.00$	€69,375 sales
Operating profit	$1,875 \times €25.90 - €44,330$	€4,232 = 6.1%
10% fewer guests	$1,688 \times €25.90 - €44,330$	-€624

Key takeaway

The model restaurant sits just 163 guests a month above break-even, roughly 6 guests a day. A rainy month, roadworks outside the door or a day closed through staff sickness is enough to tip it into loss.

The levers that matter

When results disappoint, the first instinct is often to cut food or energy costs. The numbers show that price and guest count have a far greater effect, because they directly change either the contribution per guest or the number of guests.

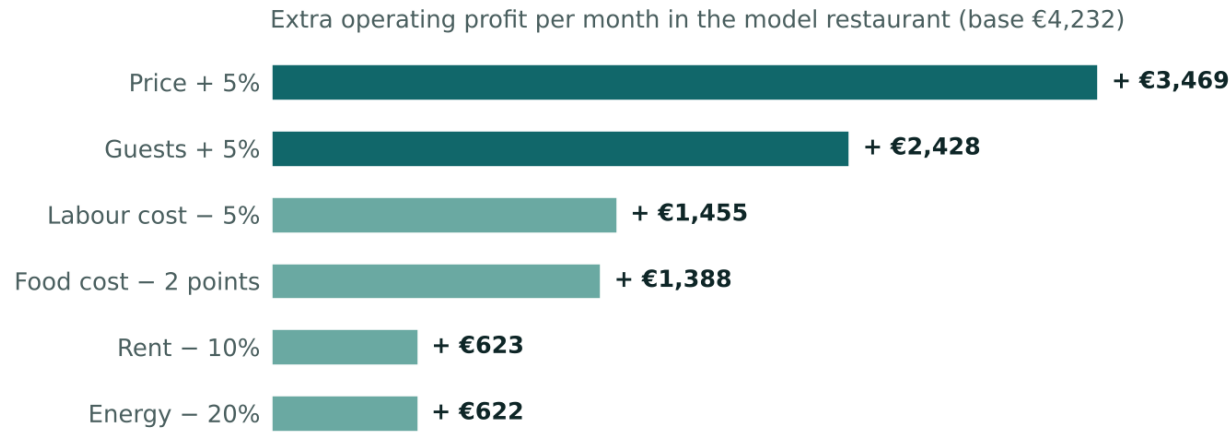


Chart 6. One change at a time, all other figures unchanged. Model restaurant with €69,375 sales and €4,232 operating profit per month.

The price-volume effect

A 5% price increase lifts the contribution per guest from €25.90 to €27.75. To keep the previous profit of €4,232, the restaurant then needs only 1,750 guests. It could lose 125 guests a month, around 6.7%, before the increase does any harm. Conversely, a price cut has to bring in a great many extra guests to pay off, which is why discount campaigns rarely make good business sense in hospitality.

Key takeaway

Look at price and occupancy first, then at costs. Cost cutting matters, but its effect is limited, and saving on quality ultimately costs you guests.

Types of business compared

Each type of business has its own economic pattern. A quick-service outlet spends more on goods but less on staff. A hotel restaurant needs plenty of staff but benefits from breakfast and events. The chart shows the upper limits that have proved healthy in consulting practice.

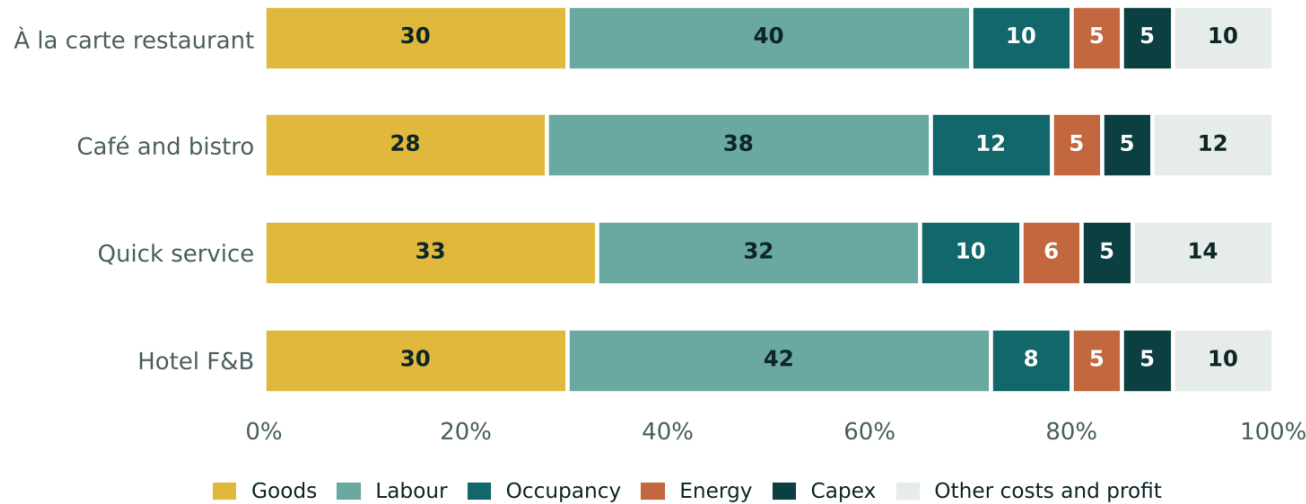


Chart 7. Bauch Food Concept practice values as % of net sales, upper end of the target range, October 2026. Not official limits. The values come from practice in German-speaking markets; local wage and rent levels in Ireland can shift the weights.

Type	How money is made	Typical trap
À la carte restaurant	High average spend, drinks as profit driver, evening trade.	Menu too large, heavy prep, staffing by gut feeling rather than bookings.
Café and bistro	Many small transactions, high share of drinks, long opening hours.	Long idle periods in the afternoon, rent in prime locations too high.
Quick service	High volume, short processes, little table service.	Food cost creeps up unnoticed; prices are not adjusted for fear of losing customers.
Hotel F&B	Breakfast, banqueting and conferences carry the result; the restaurant often serves the hotel's profile.	The restaurant is cross-subsidised without anyone realising. Fluctuating occupancy makes staff planning difficult.
Staff restaurants	Managed through cost per meal and the employer's subsidy (see chapter 9).	Falling participation due to remote working; fixed costs spread over fewer meals.
Catering and events	Predictable volumes, advance production, staff booked per job.	Quotes that leave out logistics, set-up, breakdown and cancellation risk.

08 · WHERE MONEY IS MADE AND LOST

Inside the business: the departments

A hospitality business consists of several departments, each with its own key figures. Well-run businesses manage each department separately rather than only looking at the bottom line.

Department	What drives the numbers	Key figure	Where money leaks
Purchasing and stores	Supplier prices, order quantities, storage time	Cost of goods, stock turnover	Spoilage, overstocking, no checks on deliveries
Kitchen	Recipes, portion sizes, labour time per dish	Food cost, minutes per portion	No binding recipes, overproduction, menu too large
Service	Staffing to match demand, selling skills	Sales per service hour, average spend	Overstaffing in quiet hours, no recommendations at the table
Drinks and bar	Pour sizes, pricing, range	Beverage cost, share of drinks in sales	Free pouring, untracked staff drinks
Breakfast	Guest numbers, buffet volume, top-ups	Cost per breakfast guest	Buffet kept full until closing, leftovers thrown away
Banqueting and conferences	Package prices, minimum spend, staff planning	Contribution per event	Packages never recalculated, no cancellation terms
Administration	Accounts, contracts, rota planning	Monthly report by the 10th of the following month	Reports arrive too late or are never read

Staff restaurants follow different rules

In a staff restaurant, employees usually pay less than the meal costs and the company covers the rest as a subsidy. Management therefore focuses not on percentages but on the full cost per meal. The strongest lever is participation: staff and running costs stay almost the same whether 220 or 260 meals are served.

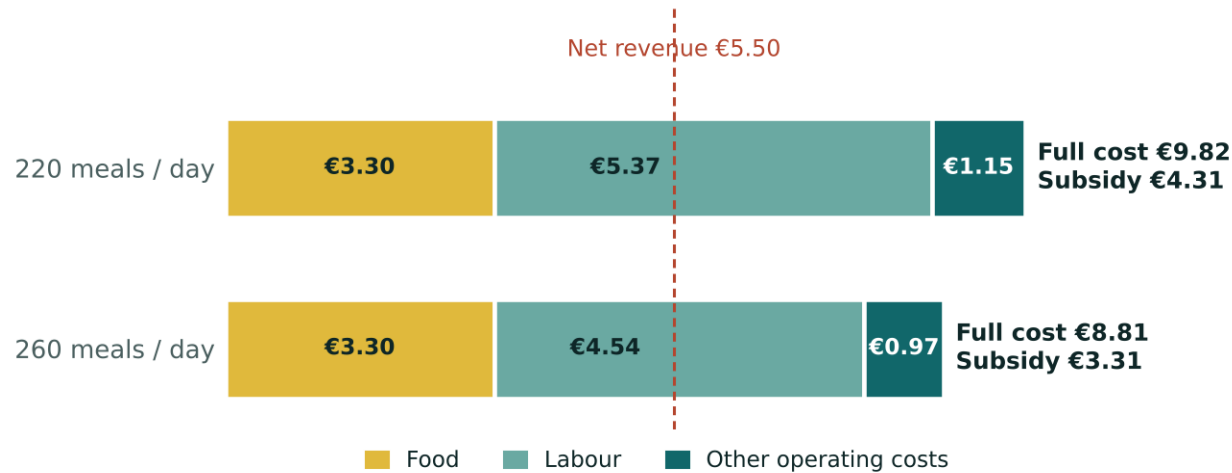


Chart 8. Model: 21 service days, food €3.30 per meal, labour €24,800 and running costs €5,310 per month, price charged €6.00 gross, 9% VAT.

At 220 meals a day, each meal needs a subsidy of €4.31, or €19,925 a month. If participation rises to 260 meals, the subsidy per meal falls to €3.31 without any change to the offer. Tax rules in Ireland: Canteen meals are tax-free where they are available to all staff. Since 1 October 2025 this also covers meals brought onto and eaten on the employer's premises, provided they are available to all staff. [6]

Key takeaway
In staff catering, participation decides the cost. An attractive offer, short queues and good communication are therefore commercial measures, not just image building.

10 · TWO RESTAURANTS, SAME SALES

Success and failure side by side

Restaurants A and B each take €69,375 a month. Same location, same size, similar menu. A makes an operating profit of €5,550, B loses €4,856. The gap of €10,406 a month, or €124,875 a year, comes not from one big mistake but from many small ones.

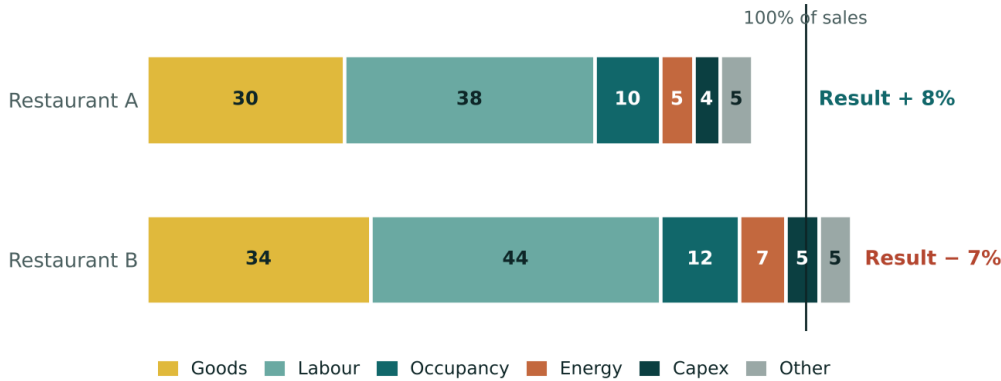


Chart 9. Costs as % of net sales. Illustrative model restaurants.

Cost	A	B	Extra cost B / month	Cause at B
Cost of goods	30%	34%	€2,775	No recipes, portions by eye, purchases never reconciled
Labour	38%	44%	€4,162	Rota by habit rather than bookings and weekdays
Occupancy	10%	12%	€1,388	Too much space for the concept, rent never renegotiated
Energy	5%	7%	€1,388	Old equipment, ovens and extraction running all day
Capex	4%	5%	€694	Leasing without checking the savings
Total			€10,406	

Why businesses typically fail

- 01

Pricing by rule of thumb
Prices do not cover labour time, especially for low-priced, labour-intensive dishes.
- 02

Fixed costs out of line with sales
Rent, floor space and core staffing are too large for the achievable trade.
- 03

Too close to break-even
Even small drops in guest numbers lead to losses; there are no reserves.
- 04

Staffing not planned around demand
Full crews on quiet days, shortages at weekends.
- 05

Uncontrolled cost of goods
Each percentage point costs the model restaurant €694 a month, €8,325 a year.
- 06

Numbers arrive too late
If the monthly report takes weeks to arrive, every reaction comes a month too late.
- 07

Misjudged cash flow
VAT, seasonal swings and back payments are not set aside.

11 • TEN KEY FIGURES

The monthly cockpit

These ten figures belong on a single page every month. They are enough to run a business, and they form the basis of every conversation with management, tenants or the bank.

	Key figure	Calculation	Restaurant guide value
01	Net sales, food and drinks	from the till	prior year and budget
02	Guests and average spend	$\text{sales} \div \text{guests}$	3-month trend
03	Food cost	$\text{food purchases} \div \text{food sales}$	up to 32%
04	Beverage cost	$\text{beverage purchases} \div \text{beverage sales}$	up to 24%
05	Labour cost	$\text{all labour costs} \div \text{sales}$	up to 40%
06	Prime cost	$\text{goods} + \text{labour} \div \text{sales}$	up to 68%
07	Occupancy cost	$\text{rent and service charges} \div \text{sales}$	up to 10%
08	Energy	$\text{electricity, gas, water} \div \text{sales}$	up to 5%
09	Operating profit	$\text{sales} - \text{all costs}$	8% or more
10	Margin above break-even	$\text{guests} - \text{break-even}$	at least 15%

Values 03 to 09: Bauch Food Concept practice values for à la carte restaurants, October 2026; not official limits. Value 10 is a recommendation from consulting practice. The free business check on bauchfood.com rates your monthly figures by type of business.

Key takeaway

Successful businesses are rarely the ones with the best ideas; they are the ones with the clearest numbers. They know their cost per dish, plan staff around demand and check the same key figures every month.

12 · FOR INVESTORS, OWNERS AND LANDLORDS

Twelve questions before any decision

Whether you are investing, letting, lending or tendering a staff restaurant, these questions quickly reveal whether a business has its numbers under control.

- 01 **Where is break-even?**
In guests per day, not just in money.
- 02 **How far above it is the business?**
Less than 10% headroom is a warning sign.
- 03 **Are there costed recipes?**
For every dish, including labour time.
- 04 **What is the prime cost?**
Goods and labour combined, month by month.
- 05 **How is the rota built?**
From bookings and historical data, or by habit?
- 06 **When does the monthly report arrive?**
Good practice is by the 10th of the following month.
- 07 **How are sales split?**
Food, drinks, events, weekdays, times of day.
- 08 **How high is occupancy cost relative to sales?**
Rent that is affordable only at peak trade is too high.
- 09 **What capital spending is due?**
Kitchen equipment, ventilation, refrigeration, fire safety.
- 10 **How high is staff turnover?**
Every replacement costs time, money and quality.
- 11 **Are there reserves?**
For VAT, seasonal lows and repairs.
- 12 **Who decides, based on which numbers?**
Clear accountability is the precondition for control.

Would you like support?

Bauch Food Concept GmbH advises restaurants, hotels and staff catering operations on pricing, cost structure and organisation, by video and across Europe. The first consultation is free of charge.
business@bauchfood.com · bauchfood.com/en/ Trade association in Ireland: Restaurants Association of Ireland (RAI).

SOURCES

Sources and notes

- [1] Eurostat: Harmonised Index of Consumer Prices, restaurants, cafés and the like (prc_hicp_aind, CP1111), annual averages 2019 and 2025.
- [2] WageIndicator: national minimum wage in Ireland from 1 January 2026.
- [3] vatupdate.com: Ireland 9% VAT on food services from 1 July 2026 (25 July 2026).
- [4] Hospitality Ireland: over 200 Irish restaurants have already closed in 2025, 3 July 2025.
- [5] Styrian Economic Chamber (WKO Steiermark): presentation on price calculation and contribution margin levels.
- [6] Revenue: Tax and Duty Manual Part 05-01-01o, provision of staff meals, effective 1 October 2025 (Grant Thornton Ireland).
- [7] Eurostat: price level indices for restaurants and hotels (prc_ppp_ind, A0111), EU-27 = 100, 2024.

Model calculations: all worked examples are simplified models for illustration and match the calculators on [bauchfood.com](https://www.bauchfood.com). Amounts are converted to Ireland's price level using the price level index for restaurants and hotels [7] and rounded; the structure is identical in every country edition. Bauch Food Concept practice values are labelled as such; they are guide values from consulting practice, not official limits. Price-adjusted sales changes are our own approximations from turnover and price indices. All information without guarantee, as of October 2026. Statutory values may change. For tax and legal questions, please consult your tax adviser or lawyer.