



Business Programs Labor Cost Control Model Training

“Controlling Your Financial Destiny”

Our mission is to provide Soldiers, Civilians and their Families with a quality of life commensurate with the quality of their service.

We are the Army's Home



Business Programs Labor Model



Session Objectives

- Recognize the Business Operations new fiscal reality and how labor impacts business
- Identify program code and associated new labor standard
- Identify key inputs and outputs for controlling labor costs



Business Programs Labor Model



Challenges Facing Business Operations

- Mitigate the reduction in UFM funding to Business Operations
- Right size the Business Operations workforce to meet targeted labor standards
- Implement New Business Revitalization Program labor standards through gradual reductions
- Improve NIBD to ensure business programs can recapitalize operations
- Implement Labor Model based on targeted Labor Standards



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| New Standards | | |
|---|------|-------------------------------------|
| Program | Code | Standard (Less than or Equal to) |
| Bowling (Cat B) | KA | 50% |
| Bowling (Cat C) | LE | 50% |
| Golf | LQ | 50% |
| Food, Beverage & Entertainment (FBE) | KM | 42% |
| Branded Restaurants | KL | 42% |
| Branded – Java | KL | 35% |
| Community Club | KG | 42% |
| Officers' Club | KE | 42% |



Business Programs Labor Model



New Standards-Post Restaurant Fund (PRF)

| Program | Department Code | Standard (Less than or Equal to) |
|--------------|-----------------|-------------------------------------|
| Cafeteria | 11 | 40% |
| Catering | 13 | 35% |
| Snack Bar | 14 | 35% |
| Mobile Truck | 16 | 40% |
| Vending | C1 | 25% |



Business Programs Labor Model



➤ Labor cost is the Largest Controllable Expense in Business Operations

- An efficient allocation of labor hours based on forecasted revenue
- Utilization of labor tied to a labor cost standard
- Adjust operation hours based on usage and operational cost
- A financial management tool used to schedule and adjust labor on a weekly, monthly and annual basis
- Defines the specific key performance indicators that an organization uses to track the workforce across multiple departments to productivity, cost and service level
- Key to developing annual operating budget
- Utilized to aid in the determination of the right staffing mix of full-time, part-time and flex employees



Business Programs Labor Model



➤ Key Inputs of Model:

- Revenue Forecasting:
 - ✓ Historical Data such as revenue, cover counts and average check
 - ✓ Number of functions or events booked, guests and current trends
- Cost of Goods Sold: based on budget, trends and established benchmarks
- Other Operating Expense: based on budget and established benchmarks
- Net Income Before Depreciation (NIBD): based on recapitalization needs and established benchmarks
- Average Hourly Cost of Labor
 - ✓ Total Labor Cost divided by Productive Hours
 - ✓ Productive Hours from TLMS report & Total Labor Cost from financial reports

➤ Key Outputs of Model:

- Total Payroll Cost (Labor) for budget time period
- Allowable hours of labor for effective scheduling



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➤ Revenue Forecasting

- Accurate forecasting revenue is a critical component for maximizing revenues and minimizing expenses
- The following details will be considered:
 - ✓ Food & Beverage Operations = Forecasted Customer Counts x Average Guest Check plus booked events
 - ✓ Bowling Center = Forecasted Lines per Lane per day x Average Revenue per Line Bowled x Number of lanes for the facility x Number of open days for the month
 - ✓ Golf = Forecasted Rounds Played x Average Revenue per Round

➤ Cost of Goods Sold (COGS)

- Use “Current COGS %”, “YTD COGS %” from your financial statement or COGS % from your Budget which ever is a more accurate and realistic figure based on current operations
- This figure needs to be realistic, do not simply input the targeted benchmark if the facility cannot meet that percentage mark



Business Programs Labor Model



➤ **Desirable Labor Cost Percentage**

- Use the percentage in the BRP labor standard or target based on phased in approach for those operations greater than 5% above standard.

➤ **Other Operating Expense**

- Use “Current Other Operating Expenses (OOE) % or “YTD OOE % from your financial statement or Budgeted % from your budget which ever more accurate and realistic figure based on your current operational situation

➤ **Net Income Before Depreciation (NIBD)**

- Use the percentage in the “Benchmark” from the Standard Operating Guidance, or Budgeted NIBD percentage (NIBD %) from your Budget which ever more accurate and realistic figure based on your current operational situation



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➤ How to calculate “Average Hourly Labor Cost”

- “Average Hourly Labor Cost” represents the dollar amount you spend per hour any employee works in the facility.
- Average Hourly Labor Cost = Total Payroll Cost / Total Productive Hours
- Total Payroll Cost = Total Labor per a given month from your financial statement
- Productive Hours = Total hours worked minus Leave Taken (Annual, Holiday and Sick)
 - Productive Hours are listed on your Time Labor Management System (TLMS) Report

Calculation Example:

- Total Labor Cost for the month - \$320,000 (from Financial Statement)
- Total Productive Hours for the month - 16,000 hours (from TLMS report)

$$\text{\$320,000} / \text{16,000 hours} = \text{\$20.00 per hour}$$



Business Programs Labor Model




- The report will look similar to the one below
- Use the total number in the Productive Hours column

RILEYS KM-55 - Source Time

File Daily Reports Scheduling Gratuities Payroll Setup Utilities Window Help

EXIT [Navigation icons] 1 Full Page [Print/Help icons]

Army - Productive Hours Report

 RILEYS KM-55
Army - Productive Hours Report
1/10/2011 thru 9/30/2012

| Job | GL Acct | Productive Hours | Total Hours | Annual Leave | Sick Leave | Holiday Leave | Comp Time | LWOP |
|--------|---------|------------------|-------------|--------------|------------|---------------|-----------|------|
| 550300 | | 2,099.2 | 2,099.2 | | | | | |
| 551300 | | 6,401.5 | 7,302.2 | 367.2 | 352.0 | 181.5 | | |
| 55G100 | | 950.0 | 1,000.0 | 19.0 | 7.0 | 24.0 | | |
| | | 9,450.7 | 10,401.5 | 386.2 | 359.0 | 205.5 | | |



Business Programs Labor Model



Test Your Knowledge!

Answer the following question in the polling box:

What is the Average Hourly Labor Cost given the following information

**Total Payroll Cost \$150,000
Total Productive Hours 15,000**

Remember: Average Hourly Labor Cost = Total Payroll Cost / Total Productive Hours



Business Programs Labor Model



Test Your Knowledge!

Correct Answer:

\$10.00



Business Programs Labor Model



NAF Labor Cost Control

| Percentage | Financial Element | Dollars |
|--|---------------------------------------|-----------|
| 100% | Revenue | \$100,000 |
| 35% | Cost of Goods Sold | \$35,000 |
| 48% | Payroll Cost (Labor) | \$48,000 |
| 7% | Other Operating Expenses | \$7,000 |
| 10% | Net Income Before Depreciation (NIBD) | \$10,000 |
| | | |
| | Average Cost of Labor | \$20 |
| | | |
| | Allowable Hours of Labor | 2,400 |
| Labor cost \$48K divided by average cost of labor per hour of \$20.00 = allowable hours of labor to achieve NIBD of \$10K with \$100K Revenue, which is 2,400 hours | | |

Forecasting Labor Hours: What is a simple and accurate way to forecast how many hours the operation should use in order to meet the labor benchmark:

1. First, subtract your expected or targeted NIBD (10% or \$10,000) from the forecasted revenue (100% or \$100,000)
2. Take this number and subtract out the expenses COGS (35% or \$35,000) and OOE (7% or \$7,000) and this will leave you with a total of 48% or \$48,000 which will be the target labor/payroll cost
3. If your average cost of labor is \$20 per hour, then \$48,000 divided by \$20.00 would allow the facility to schedule

2,400 hours



Business Programs Labor Model



To assist in budgeting-fill in the grey shaded blocks with dollar figures from the financial statements, percentages will auto calculate

Labor Model - Budget

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Total |
|----------------------------------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Net Sales Revenue | 246,859 | | | | | | | | | | | | 246,859 |
| Cost of Goods Sold | 89,881 | | | | | | | | | | | | 89,881 |
| Cost of Goods Sold % | 36.4% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 36.4% |
| Gross Income from Sales | 156,978 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 156,978 |
| UFM Payroll & Non Pay | 0 | | | | | | | | | | | | 0 |
| ARM EXP REIMB | 0 | | | | | | | | | | | | 0 |
| Other Operating Revenue | 24,920 | | | | | | | | | | | | 24,920 |
| Tot Other Income | 0 | | | | | | | | | | | | 0 |
| Total Revenue | 271,779 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 271,779 |
| Total Net Revenue | 271,779 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 271,779 |
| Total Labor | 156,897 | | | | | | | | | | | | 156,897 |
| Total Labor Percent | 57.7% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 57.7% |
| Other Operating Expenses | 36,842 | | | | | | | | | | | | 36,842 |
| Other Operating Expenses Percent | 13.6% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 13.6% |
| Total Other Expense | 0 | | | | | | | | | | | | 0 |
| Total Operating Exp | 193,739 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 193,739 |
| NIBD | (11,841) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (11,841) |
| NIBD Percent of Net Revenue | -4.4% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | -4.4% |

| | | | | | | | | | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Productive Hours from TLMS | 7,084 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,084 |
| Labor Cost Per Productive Hour | \$22.15 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$22.15 |
| Revenue Per Productive Hour | \$38.37 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$38.37 |
| Labor Cost | 135,890 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 135,890 |
| Standard Labor Cost | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| Allowable Hours of Labor | 6,135 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 6,135 |
| Over / Under | (949) | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | (949) |



Business Programs Labor Model



 Input
 Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| | |
| Net Sales Revenue | |
| Cost of Goods Sold | |
| Cost of Goods Sold % | |
| Gross Income from Sales | |
| UFM Payroll & Non Pay | |
| ARM EXP REIMB | |
| Other Operating Revenue | |
| Tot Other Income | |
| Total Revenue | |
| Total Net Revenue | |
| Total Labor | |
| Total Labor Percent | |
| Other Operating Expenses | |
| Other Operating Expenses Percent | |
| Total Other Expense | |
| Total Operating Exp | |
| NIBD | |
| NIBD Percent of Net Revenue | |

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

Fill in your **Net Sales Revenue** and **Cost of Goods Sold**

 The **Cost of Goods %** and the **Gross Income from Sales** will automatically generate



Business Programs Labor Model



— Input
— Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
| Cost of Goods Sold | 89,881 |
| Cost of Goods Sold % | 36.4% |
| Gross Income from Sales | 156,978 |
| UFM Payroll & Non Pay | |
| ARM EXP REIMB | |
| Other Operating Revenue | |
| Tot Other Income | |
| Total Revenue | 246,859 |
| Total Net Revenue | 246,859 |
| Total Labor | |
| Total Labor Percent | 0.0% |
| Other Operating Expenses | |
| Other Operating Expenses Percent | 0.0% |
| Total Other Expense | |
| Total Operating Exp | 0 |
| NIBD | 156,978 |
| NIBD Percent of Net Revenue | 63.6% |

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

You will also have a running total in **Total Revenue, Total Net Revenue, NIBD and NIBD% of Net Revenue** but these numbers are **NOT** yet correct



Business Programs Labor Model



— Input
— Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
| Cost of Goods Sold | 89,881 |
| Cost of Goods Sold % | 36.4% |
| Gross Income from Sales | 156,978 |
| UFM Payroll & Non Pay | |
| ARM EXP REIMB | |
| Other Operating Revenue | |
| Tot Other Income | |
| Total Revenue | 246,859 |
| Total Net Revenue | 246,859 |
| Total Labor | |
| Total Labor Percent | 0.0% |
| Other Operating Expenses | |
| Other Operating Expenses Percent | 0.0% |
| Total Other Expense | |
| Total Operating Exp | 0 |
| NIBD | 156,978 |
| NIBD Percent of Net Revenue | 63.6% |

Fill in your **UFM, ARM, Other Operating Revenue** and **Tot Other Income**

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |



Business Programs Labor Model



— Input
— Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
| Cost of Goods Sold | 89,881 |
| Cost of Goods Sold % | 36.4% |
| Gross Income from Sales | 156,978 |
| UFM Payroll & Non Pay | 0 |
| ARM EXP REIMB | 0 |
| Other Operating Revenue | 24,920 |
| Tot Other Income | 0 |
| Total Revenue | 271,779 |
| Total Net Revenue | 271,779 |
| Total Labor | |
| Total Labor Percent | 0.0% |
| Other Operating Expenses | |
| Other Operating Expenses Percent | 0.0% |
| Total Other Expense | |
| Total Operating Exp | 0 |
| NIBD | 181,898 |
| NIBD Percent of Net Revenue | 66.9% |

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

With this information input, the **Total Revenue** and the **Total Net Revenue** will now be correct



Business Programs Labor Model



— Input
— Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
| Cost of Goods Sold | 89,881 |
| Cost of Goods Sold % | 36.4% |
| Gross Income from Sales | 156,978 |
| UFM Payroll & Non Pay | 0 |
| ARM EXP REIMB | 0 |
| Other Operating Revenue | 24,920 |
| Tot Other Income | 0 |
| Total Revenue | 271,779 |
| Total Net Revenue | 271,779 |
| Total Labor | 156,897 |
| Total Labor Percent | 57.7% |
| Other Operating Expenses | |
| Other Operating Expenses Percent | |
| Total Other Expense | 0 |
| Total Operating Exp | 156,897 |
| NIBD | 25,001 |
| NIBD Percent of Net Revenue | 9.2% |

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

← Fill in the **Total Labor**
→ The **Total Labor Percent** will be automatically calculated



Business Programs Labor Model



— Input
— Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
| Cost of Goods Sold | 89,881 |
| Cost of Goods Sold % | 36.4% |
| Gross Income from Sales | 156,978 |
| UFM Payroll & Non Pay | 0 |
| ARM EXP REIMB | 0 |
| Other Operating Revenue | 24,920 |
| Tot Other Income | 0 |
| Total Revenue | 271,779 |
| Total Net Revenue | 271,779 |
| Total Labor | 156,897 |
| Total Labor Percent | 57.7% |
| Other Operating Expenses | 36,842 |
| Other Operating Expenses Percent | 13.6% |
| Total Other Expense | |
| Total Operating Exp | 193,739 |
| NIBD | (11,841) |
| NIBD Percent of Net Revenue | -4.4% |

| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

Fill in the **Other Operating Expenses**

The **Other Operating Expenses Percent** will be automatically calculated



Business Programs Labor Model



 Input
 Output

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
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| Cost of Goods Sold % | 36.4% |
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| | |
|-----------------------------|--|
| Productive Hours from TLMS | |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

Add in the **Total Other Expense**

The total **Operating Exp, NIBD and NIBD % of Net Revenue** is now accurate



Business Programs Labor Model



— Input
— Output

*****Productive Hours from TLMS:**
 For budgeting, this number should be based on history and forecasted business

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
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| Total Net Revenue | 271,779 |
| Total Labor | 156,897 |
| Total Labor Percent | 57.7% |
| Other Operating Expenses | 36,842 |
| Other Operating Expenses Percent | 13.6% |
| Total Other Expense | 0 |
| Total Operating Exp | 193,739 |
| NIBD | (11,841) |
| NIBD Percent of Net Revenue | -4.4% |
| Productive Hours from TLMS | 7,084 |
| Average Hourly Labor Cost | |
| Revenue Per Productive Hour | |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | |

Add in your **Productive Hours** from TLMS

****Remember,** this is total hours less all leave taken and is found on the TLMS Productive Hour Report



Business Programs Labor Model



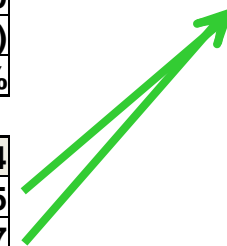
 Input
 Output

***** Average Hourly Labor Cost** = Total Payroll Cost, including all regular pay, premium pay and all benefits divided by Total Productive Hours

***** Revenue Per Productive Hour** = Revenue divided by Total Productive Hours

| Operation: | FY14 Budget Oct |
|----------------------------------|-----------------|
| Net Sales Revenue | 246,859 |
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| Gross Income from Sales | 156,978 |
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| Other Operating Revenue | 24,920 |
| Tot Other Income | 0 |
| Total Revenue | 271,779 |
| Total Net Revenue | 271,779 |
| Total Labor | 156,897 |
| Total Labor Percent | 57.7% |
| Other Operating Expenses | 36,842 |
| Other Operating Expenses Percent | 13.6% |
| Total Other Expense | 0 |
| Total Operating Exp | 193,739 |
| NIBD | (11,841) |
| NIBD Percent of Net Revenue | -4.4% |
| Productive Hours from TLMS | 7,084 |
| Average Hourly Labor Cost | \$22.15 |
| Revenue Per Productive Hour | \$38.37 |
| Labor Cost | |
| Standard Labor Cost | |
| Allowable Hours of Labor | |
| (Over) / Under | 7,084 |

This will give you your **Average Hourly Labor Cost** and the **Revenue Per Productive Hour**





Business Programs Labor Model



— Input
— Output

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|----------------------------------|--------------------|
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| Total Operating Exp | 193,739 |
| NIBD | (11,841) |
| NIBD Percent of Net Revenue | -4.4% |
| Productive Hours from TLMS | 7,084 |
| Average Hourly Labor Cost | \$22.15 |
| Revenue Per Productive Hour | \$38.37 |
| Labor Cost | |
| Standard Labor Cost | 50.0% |
| Allowable Hours of Labor | |
| (Over) / Under | (949) |

Input your target **Standard Labor Cost %** this should be based on a combination of the BRP and history, be sure to use an attainable number



Business Programs Labor Model



 Input

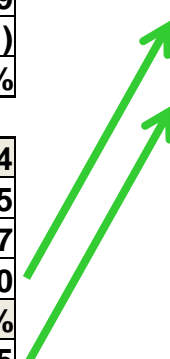
 Output

***** Labor Cost =**
Standard Labor Cost
% multiplied by Total
Revenue
This is the total cost
allotted to Labor for
the time period

***** Allowable Hours
of Labor =** Labor
Cost divided by the
Average Hourly
Labor Cost
This is the total
number of hours that
can be scheduled for
the time period

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|----------------------------------|--------------------|
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| NIBD | (11,841) |
| NIBD Percent of Net Revenue | -4.4% |
| Productive Hours from TLMS | 7,084 |
| Average Hourly Labor Cost | \$22.15 |
| Revenue Per Productive Hour | \$38.37 |
| Labor Cost | 135,890 |
| Standard Labor Cost | 50% |
| Allowable Hours of Labor | 6,135 |
| (Over) / Under | (949) |

The **Labor Cost**
and the
**Allowable Hours
of Labor** will be
automatically
generated





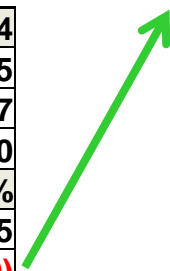
Business Programs Labor Model



 Input
 Output

| Operation: | FY14 Budget Oct |
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| Revenue Per Productive Hour | \$38.37 |
| Labor Cost | 135,890 |
| Standard Labor Cost | 50% |
| Allowable Hours of Labor | 6,135 |
| (Over) / Under | (949) |

This will also give you the amount of hours that you are **over** or under budget for a time period. If **over** budget, the number will be **red** and will need to be reduced





Business Programs Labor Model



| | |
|-----------------------------|---------|
| Productive Hours from TLMS | 7,084 |
| Average Hourly Labor Cost | \$22.15 |
| Revenue Per Productive Hour | \$38.37 |
| Labor Cost | 135,890 |
| Standard Labor Cost | 50% |
| Allowable Hours of Labor | 6,135 |
| (Over) / Under | (949) |

If this number is red, use the following effective management practices to correct your overage

Effective Management Practices:

- Define minimum manning requirement for facility and develop long term action plan to meet standard/manning requirement
 - ✓ Through attrition and/or BBAs, adjust the employment status of new hires
 - ✓ RFT to RPT
 - ✓ RPT to Flex
 - ✓ Flex to Seasonal



Business Programs Labor Model



➤ Effective Management Practices (Cont):

- **Staffing: “right person” in the right position**
 - ✓ Recruiting, Selecting, Hiring and Training
 - ✓ Correct mix of Full-time, Part-time and Flex
- **Scheduling: “right number of personnel” in the right job at the right time**
 - ✓ Providing proper service to guests, while controlling labor costs
 - ✓ Standard Staffing Guides
 - ✓ Effective staffing and scheduling based on forecasted customer count and sales
 - ✓ Banking hours throughout the week
- **Increase Productivity:**
 - ✓ Increase revenue while controlling labor
 - ✓ Increase revenue generating events without increased labor
 - ✓ Up-Selling and yield management
 - ✓ Cross Train Staff
- **Control Cost:**
 - ✓ Menu re-engineering, portion control, pricing
 - ✓ Operational hours
 - ✓ Utilized Benchmarks



Business Programs Labor Model



The following is an example, completely filled out

Labor Model - Budget

| Operation: | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Total |
|----------------------------------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Net Sales Revenue | 246,859 | 321,486 | 212,341 | 203,416 | 246,784 | 282,467 | 301,974 | 345,667 | 203,411 | 300,121 | 282,648 | 301,974 | 3,249,148 |
| Cost of Goods Sold | 89,881 | 119,748 | 87,678 | 77,461 | 91,348 | 98,467 | 113,135 | 120,111 | 77,454 | 119,846 | 98,462 | 113,452 | 1,207,043 |
| Cost of Goods Sold % | 36.4% | 37.2% | 41.3% | 38.1% | 37.0% | 34.9% | 37.5% | 34.7% | 38.1% | 39.9% | 34.8% | 37.6% | 37.1% |
| Gross Income from Sales | 156,978 | 201,738 | 124,663 | 125,955 | 155,436 | 184,000 | 188,839 | 225,556 | 125,957 | 180,275 | 184,186 | 188,522 | 2,042,105 |
| UFM Payroll & Non Pay | 0 | 0 | 0 | 0 | 16,748 | 0 | 0 | 0 | 0 | 11,214 | 0 | 0 | 27,962 |
| ARM EXP REIMB | 0 | 0 | 0 | 0 | 0 | 6,748 | 0 | 3,485 | 0 | 0 | 7,064 | 0 | 17,297 |
| Other Operating Revenue | 24,920 | 30,472 | 22,341 | 19,846 | 32,167 | 35,478 | 42,687 | 31,112 | 19,856 | 22,365 | 35,241 | 44,675 | 361,160 |
| Tot Other Income | 0 | 0 | 3,468 | 3,152 | 0 | 0 | 6,348 | 0 | 0 | 0 | 0 | 6,741 | 19,709 |
| Total Revenue | 271,779 | 351,958 | 238,150 | 226,414 | 295,699 | 324,693 | 351,009 | 380,264 | 223,267 | 333,700 | 324,953 | 353,390 | 3,675,276 |
| Total Net Revenue | 271,779 | 351,958 | 238,150 | 226,414 | 278,951 | 324,693 | 351,009 | 380,264 | 223,267 | 322,486 | 324,953 | 353,390 | 3,647,314 |
| Total Labor | 156,897 | 198,764 | 142,674 | 117,648 | 163,743 | 191,348 | 201,347 | 200,445 | 107,024 | 184,634 | 190,437 | 203,415 | 2,058,376 |
| Total Labor Percent | 57.7% | 56.5% | 59.9% | 52.0% | 55.4% | 58.9% | 57.4% | 52.7% | 47.9% | 55.3% | 58.6% | 57.6% | 56.0% |
| Other Operating Expenses | 36,842 | 44,671 | 29,764 | 31,546 | 29,467 | 30,154 | 35,621 | 22,011 | 28,467 | 37,154 | 35,131 | 35,464 | 396,292 |
| Other Operating Expenses Percent | 13.6% | 12.7% | 12.5% | 13.9% | 10.0% | 9.3% | 10.1% | 5.8% | 12.8% | 11.1% | 10.8% | 10.0% | 10.8% |
| Total Other Expense | 0 | 0 | 0 | 0 | 0 | 3,467 | 0 | 0 | 0 | 0 | 2,467 | 0 | 5,934 |
| Total Operating Exp | 193,739 | 243,435 | 172,438 | 149,194 | 193,210 | 224,969 | 236,968 | 222,456 | 135,491 | 221,788 | 228,035 | 238,879 | 2,460,602 |
| NIBD | (11,841) | (11,225) | (21,966) | (241) | 11,141 | 1,257 | 906 | 37,697 | 10,322 | (7,934) | (1,544) | 1,059 | 7,631 |
| NIBD Percent of Net Revenue | -4.4% | -3.2% | -9.2% | -0.1% | 4.0% | 0.4% | 0.3% | 9.9% | 4.6% | -2.5% | -0.5% | 0.3% | 0.2% |

| | | | | | | | | | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Productive Hours from TLMS | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 7,084 | 85,008 |
| Labor Cost Per Productive Hour | \$22.15 | \$28.06 | \$20.14 | \$16.61 | \$23.11 | \$27.01 | \$28.42 | \$28.30 | \$15.11 | \$26.06 | \$26.88 | \$28.71 | \$24.21 |
| Revenue Per Productive Hour | \$38.37 | \$49.68 | \$33.62 | \$31.96 | \$39.38 | \$45.83 | \$49.55 | \$53.68 | \$31.52 | \$45.52 | \$45.87 | \$49.89 | \$42.91 |
| Labor Cost | 135,890 | 175,979 | 119,075 | 113,207 | 147,850 | 162,347 | 175,505 | 190,132 | 111,634 | 166,850 | 162,477 | 176,695 | 1,837,638 |
| Standard Labor Cost | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| Allowable Hours of Labor | 6,135 | 6,272 | 5,912 | 6,817 | 6,396 | 6,010 | 6,175 | 6,720 | 7,389 | 6,402 | 6,044 | 6,153 | 75,892 |
| Over / Under | (949) | (812) | (1,172) | (267) | (688) | (1,074) | (909) | (364) | 305 | (682) | (1,040) | (931) | (9,116) |



Business Programs

Labor Cost Control Model Training

Helpful Resources

Collaboration Space – All templates, slides and other training information:
Log in to Academy site> Collaboration Center> Search Labor Model> Click
Business Operations Labor Cost Control Model Training.

IMCOM G9 Contact Information :

Business Operation Director – Steve Ryan 210.466.1287

Golf – Mike McCoy 210.466.1268

Bowling/Bingo – Bill Sewell 210.466.1296

Post Restaurant Fund/Civilian Welfare Fund – Bob Maze 210.466.1290

Food and Beverage – Sunny Park 210.466.1292

Food and Beverage – Jillian Singleton 210.466.1289

Support – Glenn Pietras 210.466.1298

Attendance for this course will be tracked via the IMCOM Academy.

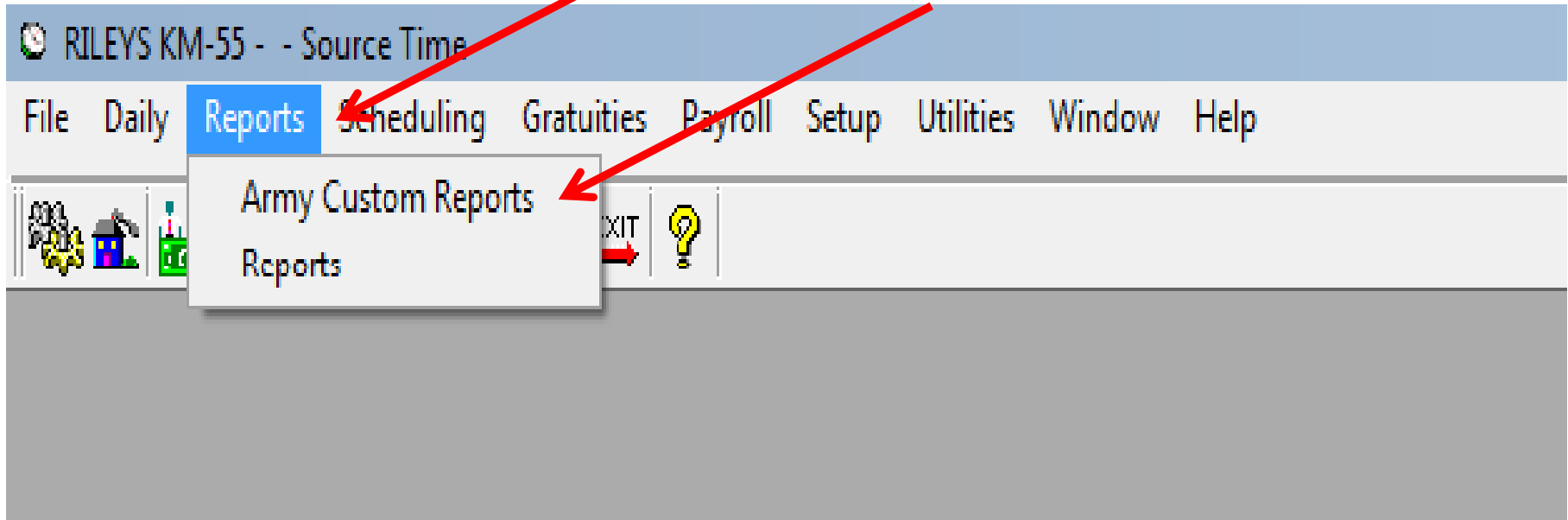


Business Programs Labor Model



➤ How to run the productive hours report in TLMS

- Open and Log-in to TLMS
- Click on the **Reports** option
- Choose **Army Custom Reports**

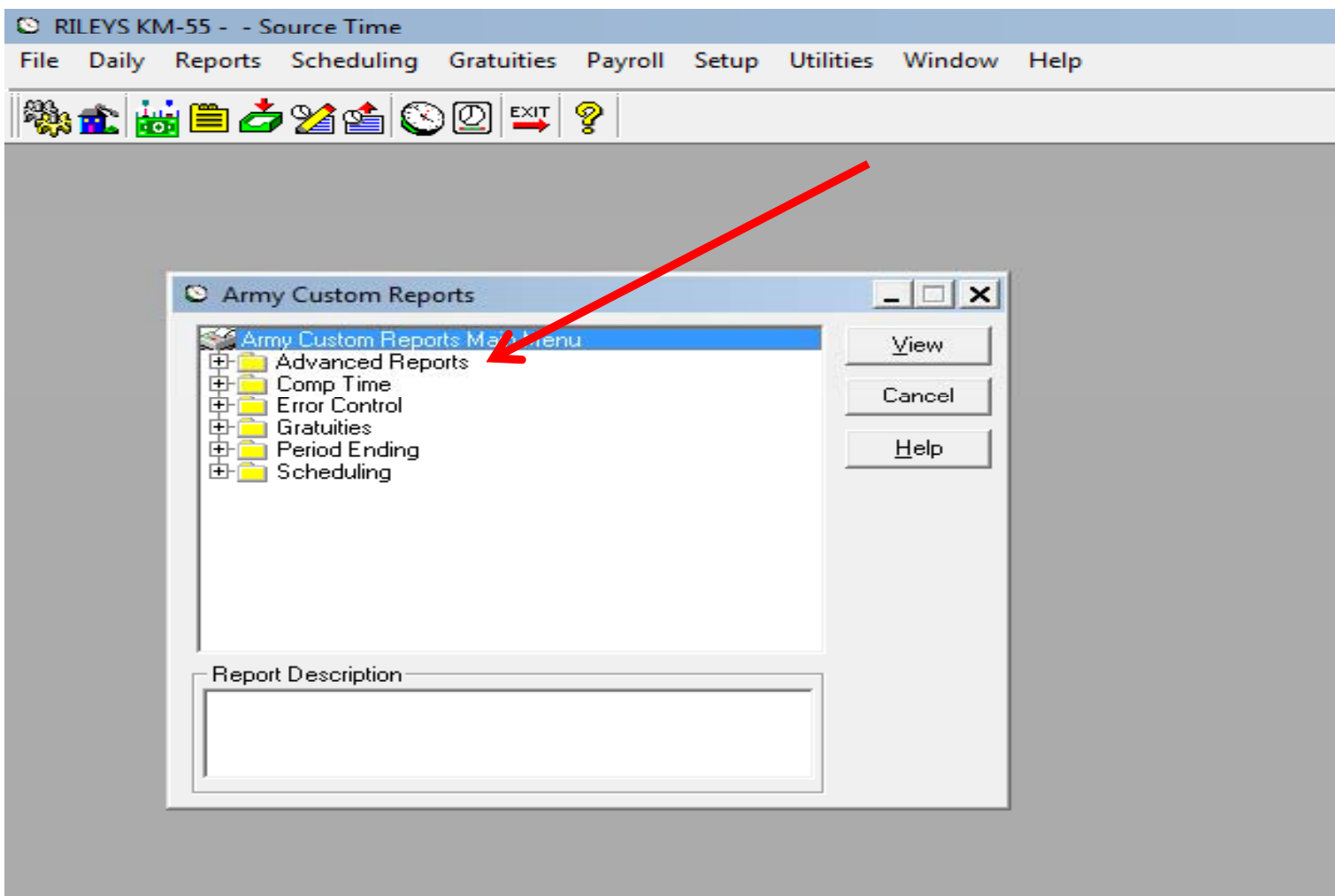




Business Programs Labor Model



➤ Expand the section Advanced Reports

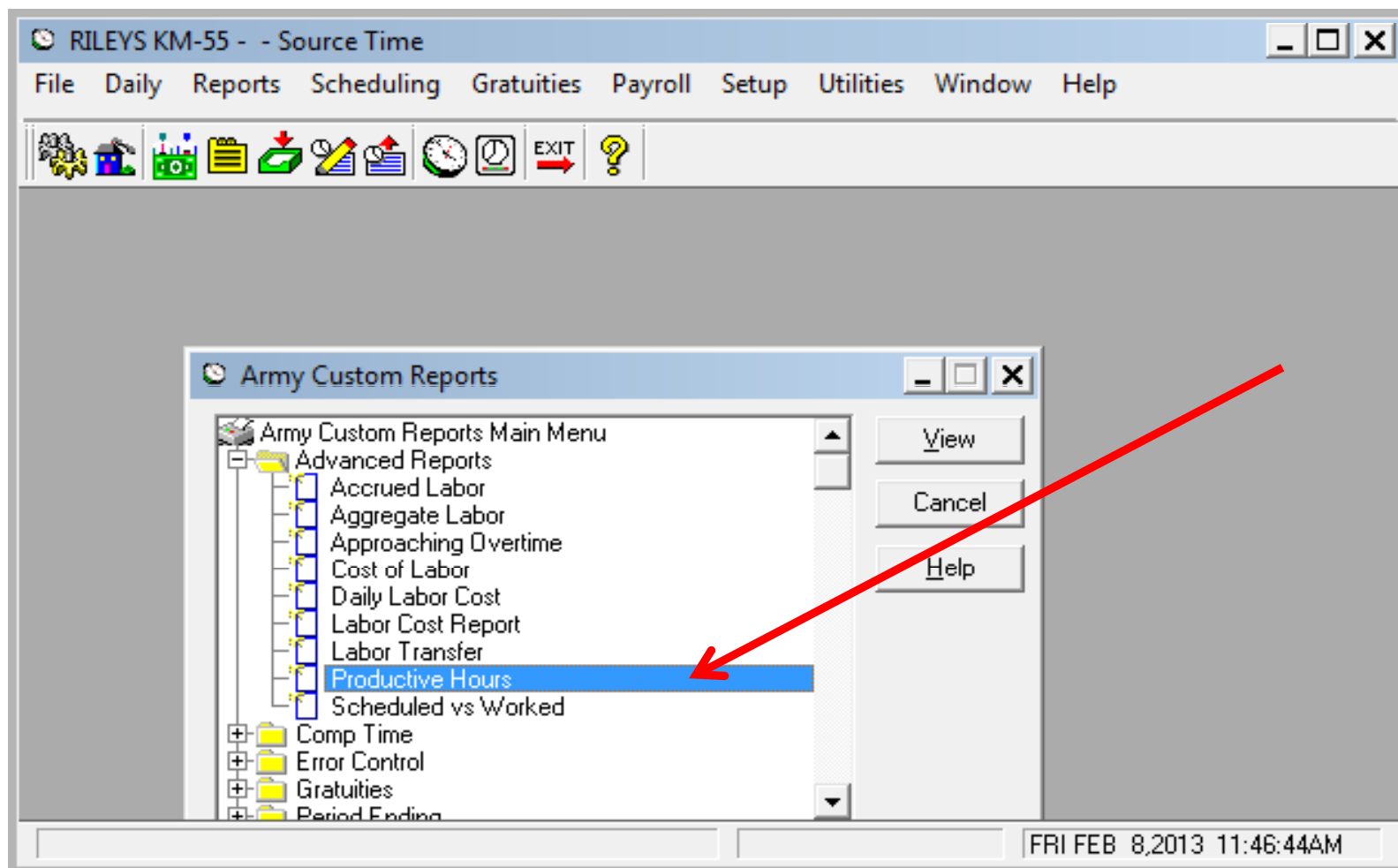




Business Programs Labor Model



➤ Select the report Productive Hours

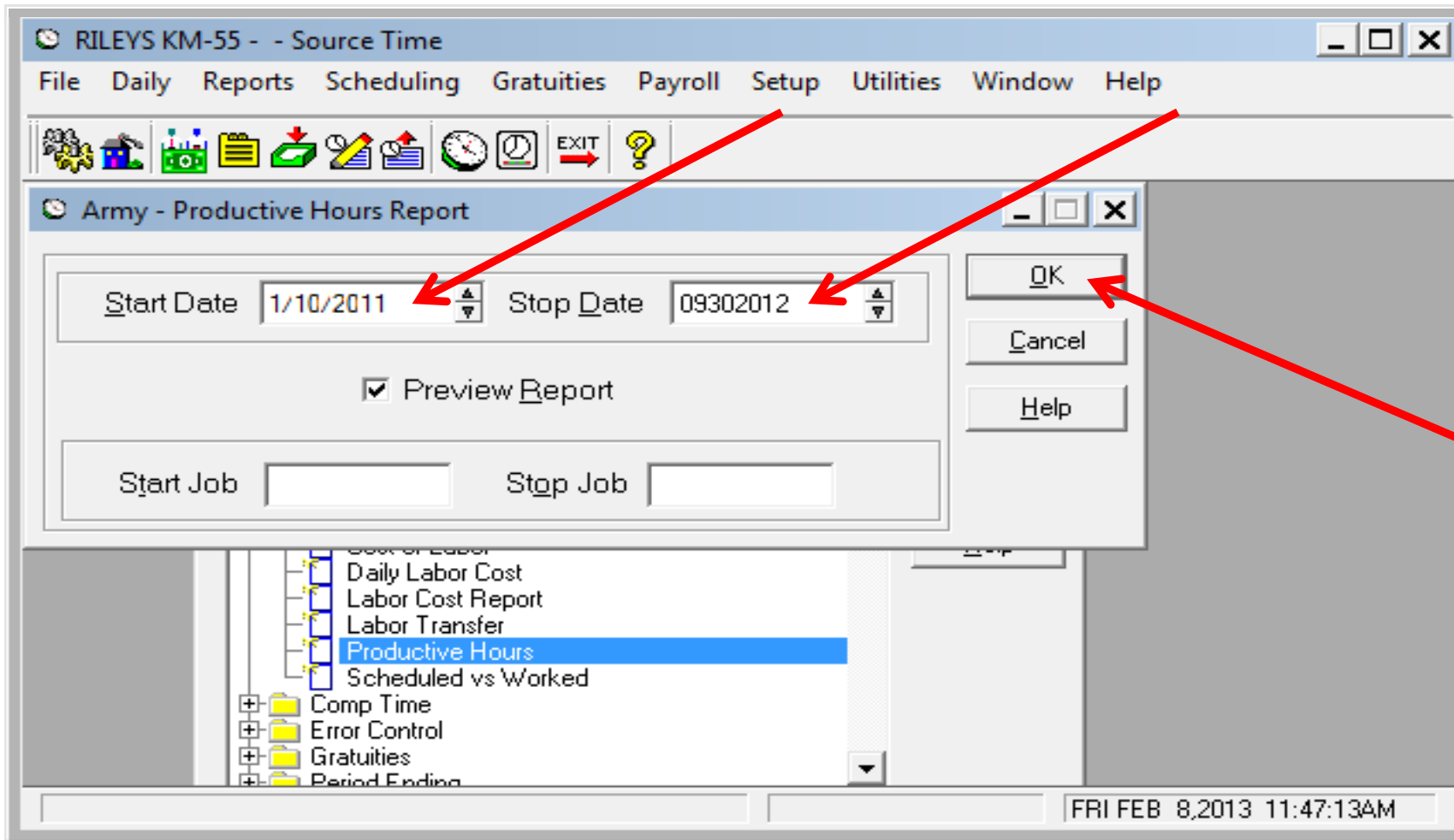




Business Programs Labor Model



- Enter in the desired date range and click OK





Business Programs Labor Model



- The report will look similar to the one below
- Use the total number in the Productive Hours column

RILEYS KM-55 - Source Time

File Daily Reports Scheduling Gratuities Payroll Setup Utilities Window Help

EXIT Full Page

Army - Productive Hours Report

RILEYS KM-55
Army - Productive Hours Report
1/10/2011 thru 9/30/2012

| Job | GL Acct | Productive Hours | Total Hours | Annual Leave | Sick Leave | Holiday Leave | Comp Time | LWOP |
|--------|---------|------------------|-------------|--------------|------------|---------------|-----------|------|
| 550300 | | 2,099.2 | 2,099.2 | | | | | |
| 551300 | | 6,401.5 | 7,302.2 | 367.2 | 352.0 | 181.5 | | |
| 55G100 | | 850.0 | 1,000.0 | 19.0 | 7.0 | 24.0 | | |
| | | 9,450.7 | 10,401.5 | 386.2 | 359.0 | 205.5 | | |

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Business Programs Labor Model



➤ Definitions:

- **Productive Hour:** Any hour worked hour by an employee to include any overtime worked hours. **Productive Hour = Total Labor hours minus ALL Leave taken (Annual, Holiday and Sick)**
- **Cost of Goods Sold (COGS) and COGS %:** Actual cost of products sold divided by sales. % gives a better picture than \$ amount. COGS only takes into account the cost associated with sales and does not include membership dues, rental and usage fees, etc.
- **Labor %:** Actual Labor expense divided by revenue.
- **Other Operating Expenses (OOE) %:** Actual OOE divided by revenue.
- **Net Income Before Depreciation (NIBD):**
 - ✓ **NIBD \$ = Revenue – COGs – Labor Cost – OOE**
 - ✓ **NIBD % = NIBD \$ / Revenue**
- **Labor Cost per Productive Hour:** Total Payroll Cost, including all regular pay, premium pay and all benefits divided by Total Productive Hours.
- **Revenue per Productive Hour:** Revenue divided by Total Productive Hours
- **Revenue:** Total Income from operations to include sales and other operating income.