

Level 1/2 Hospitality and Catering: Unit 1: Contributing factors to the success of hospitality and catering provision (AC1.4)



Contributing factors

The hospitality and catering sector is very competitive, and many businesses fail in the first year of operation. There are many factors that must be managed carefully for hospitality and catering businesses to make a profit and continue to operate in the long term.

Basic costs

Labour: These costs include employee wages, National Insurance contributions and pension contributions.

Material: These costs include decoration, furnishings, kitchen and dining equipment, ingredients, printing and health and safety equipment.

Overheads: These costs include rent, rates, gas and electricity, insurance, licensing, training and maintenance.

Economy

The value of the pound (£) can affect the hospitality and catering sector. If the economy is good, people will be willing to spend more. If the economy is weak (recession), people may decide that eating out or going on holiday is a luxury and will spend less.

VAT (Value Added Tax) is added to the final cost of goods and services offered in the hospitality and catering sector. The money from VAT goes to the government to pay for services everyone uses for example the NHS.

Environmental impact

Running a hospitality or catering provision uses a lot of resources. Businesses are encouraged to **reduce**, **reuse**, and **recycle**. Energy efficient equipment such as low energy light bulbs can save a business money. Using local and seasonal ingredients reduces the amount of CO₂ released into the atmosphere during transport. All waste should be separated and recycled or composted when possible.

Profit

Gross Profit: The difference between how much a menu item costs to make and how much it sells for. Ingredient costs should not be more than 30% of the gross profit. If the ingredient cost for a chocolate brownie dessert is £1.50 and the menu price is £4.50, the gross profit is £3.00.

Gross Profit % = $(3.00 \div 4.50) \times 100 = 66.6\%$

Net Profit = What is left from the gross profit once all costs (as listed above) are covered.

New technology

New technologies have benefitted the sector in positive ways. These include:

- **cashless systems** such as contactless cards and mobile payment apps
- **digital systems** such as online booking/ordering and key cards
- **office software** such as stock ordering systems.

Media

The hospitality and catering sector is very competitive, so most businesses try to make good use of the media to advertise. Most businesses will have their own **website**, which customers can use to view menus and make bookings.

- **Print Media:** Ads in magazines and newspapers, flyers and money-off vouchers.
- **Broadcast media:** Television, radio and online ads.
- **Social media:** Customer feedback and reviews.

Consumers are increasingly using smartphones to book, order, pay and review.