The business owner's guide to rostering for profit

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Six steps to efficient rostering

The importance of rostering

Effective rostering is, quite simply, the cornerstone of sustainable profitability. Ineffective rostering can undermine profitability more rapidly than any other aspect of operations.

On average, businesses overspend on rosters by around 4%. This can quickly add up to thousands of dollars of lost profits over a period of just seven days.

This is why reviewing your rostering processes is a necessity: it will allow you to respond fluidly to the unpredictable nature of customer demand and have a dramatic impact on overall profitability.

An effective roster can help you:

- Cap labour costs
- Meet customer demand
- Manage staff availability
- Comply with government regulations and contractual obligations.

This guide will show you how to increase your profits week-by-week through effective rostering.

1. Forecast customer demand

Forecasting is a cornerstone of profitable rostering. Although a forecast is, in fact, little more than an informed guess, it is an essential step towards making your roster more profitable.

First of all, you will need to look back at the revenue that was generated 12 months ago, in the corresponding week last year.

Although you shouldn't automatically assume that demand will be the same, this is still a good starting point to inform your roster.

Secondly, look at the last 19 weeks of trade to understand what the average revenue is on any given day. For example, how much revenue has been generated on an average Monday?

These two figures will help you forecast out revenue – and demand – for the coming week.

Remember, there will have been fluctuations over time due to special events, the weather and other factors. Make sure you take these into account when creating your forecast.

Based on your forecast, you should be able to determine exactly how much you can afford to spend on your upcoming roster (this is also known as the labour cost target).

2. Forecast labour cost percentage

Use the instructions on the following pages to calculate your labour cost percentage.

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3. Determine staff availability

Make sure you know exactly when your staff are available, and whether they have any limitations as to the number of hours they can work.

4. Create the roster

The starting point for your roster should be the labour cost target you created in step 1. Ensure the cost of the roster you are creating does not exceed this value.

Factors that can quickly affect your ability to meet your labour cost target include:

- Not giving staff the minimum required break between shifts
- Overtime costs for salaried staff
- Public holiday pay rates.

Rostering software can help you ensure you're being as efficient as possible, by automatically factoring in superannuation/pension contributions, public holidays rates etc.

5. Adjust the roster in real time

A roster revolves around an assumed customer demand, which is unpredictable. If the predicted daily revenue is not achieved, the roster must be revised.

It is possible to manage your roster in real-time, in response to fluctuations in revenue, to create day-to-day efficiencies that can add up to significantly higher profits over time.

6. Calculate actual labour cost percentage

Use the instructions below to retrospectively calculate your labour cost percentage. Monitoring this week-by-week will help you improve your labour costs over time.

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Tips for ultimate roster efficiency

Our top recommendations for effective rostering

- Always check the weather forecast before creating your roster.

- Roster in 15-minute blocks, rather than 30-minute blocks, to give you maximum flexibility.

- Roster based on the dollar value of the roster, rather than on the number of people required for each shift.

- Understand your labour cost percentage over time, and always work to optimise this.

- Adjust as frequently, as required, to keep the labour cost percentage low.

- Always include costs such as workers' compensation and payroll tax when costing out your roster.

- Use software with built-in smart rostering features to help you create a schedule based on your team's availability and skill set.

- Ensure staff always clock in and out to avoid wage theft.

- Ensure your managers and team leaders are trained in efficient rostering practices.

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Understanding labour cost percentage

Labour cost percentage

A roster's performance is measured through labour cost percentage, or the total cost of staffing your venue. This can be calculated retrospectively, and can also be used ahead of time to predict the cost of your upcoming roster.

This will help you monitor your labour costs over time and start to create more effective rosters to improve your profitability.

Calculating labour cost percentage

The labour cost percentage is calculated by adding up the wage costs over the course of a week, and dividing it by the revenue that will be generated that week.

We then compare this to the actual week's events: the revenue that was achieved, and the cost of staff servicing that revenue.

The equation for calculating labour cost percentage is simple:

total labour costs
/ revenue earned in that week (less tax)
= labour cost percentage

For example:

$5000 costs
/ $10,000 revenue
= .5 (50%) labour cost percentage

When calculating total labour costs always include:

- Salaried and casual staff
- Staff on annual leave
- Pension and provident fund contributions
- Workers' compensation fees
- Accrued entitlements such as annual leave.

Good vs poor roster performance

The actual labour cost percentage should always be lower than your forecast labour cost percentage.

If this is not the case, you will need to review your rostering practices to bring the two into line.

New Roubler feature

At the end of May 2020 Roubler will be releasing a new feature that will let you roster full time employees first, then fill the gaps with casual workers.

This will help ensure your rostering process is as efficient as possible, by allowing you to prioritise those team members who have fixed hours.
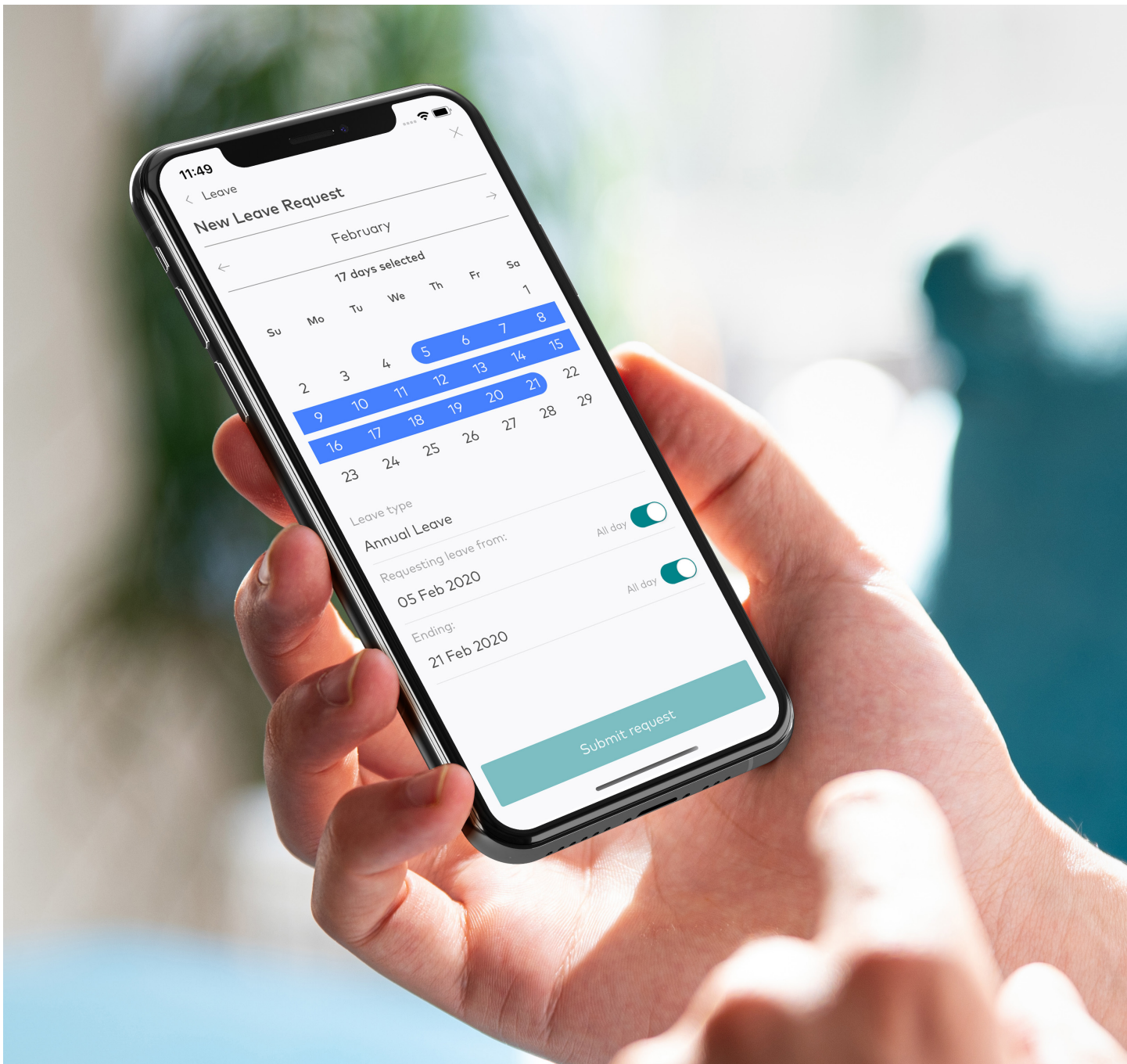
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Find out more

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