



The I.C. (Incremental Cost) Factor

In this context, the IC Factor is the actual cost incurred by a hotel or F&B business with a certain sales volume, a certain amount of unused and unsold capacity and a low, quantifiable, cost of generating 5% in additional sales.

Two ways to benefit from the IC Factor concept:

1)* internally, by having management be aware of the IC Factor and using the information to take steps that directly effect the bottom line, and 2) by becoming a member of the American Trade System (ATS), as illustrated later in this presentation.

*Case Study: "A" is the owner of a restaurant that caters to the business sector with 1M in annual sales, 900K in expenses and 100K in profit. It is the last day of the fiscal period and it is assumed the operation will perform similarly in the next fiscal period. "A" wants to increase profits.

"A" quantifies the restaurant's I.C. Factor, the real, out-of-pocket cost incurred in providing \$50,000 in additional F&B services. The additional business is not going to increase debt service, payroll, leases, insurance, advertising, etc. Those costs are included in the 900K in cash expenses. The Incremental Cost is the cost of food and beverage, which averages at 25%, therefore, the "break-even point", i.e. the cost of delivering \$50,000 in meals, is \$12,500.

"A" contacts companies that use restaurant services and sells \$50,000 in credit certificates at a 50% discount, collecting \$25,000. With the cost at \$12,500, "A" has made \$12,500 in additional profit.

[An illustration of the additional profit generated as a member of the Trade System.](#)

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