

EAT, DRINK & MAKE MONEY

Some golf facilities are making big profit increases while others struggle to break even. These savvy food-and-beverage operators are reworking their operation model — bringing in variety, convenience and better service.

BY BRUCE BUCKLEY



If necessity is the mother of invention, then it's no wonder these are creative times for food-and-beverage operations. While the economy and the golf industry boom, many courses are seeing their F-&B profits slump. But innovative managers are finding ways to turn operations around — and revamp what most consider an amenity into a true profit center.

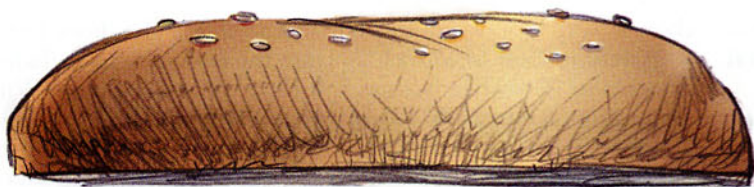
Finding ways to drum up food-and-beverage business isn't any easier than before, operators say. Consumers are surrounded with trendy and convenient dining options outside the course. In addition, as many courses try to broaden their demographics, their customers' needs have become more diverse.

Indeed, few operators are seeing booming profits in food-and-beverage operations. Median non-payroll expenditures at private, daily fee and municipal courses comprise 53, 50, and 45 percent of income, respectively, according to National Golf Foundation statistics. Meanwhile, many operators report payroll costs eating up anywhere from 30 percent to 45 percent of income, leaving meager leftovers for profits.

Many operators blame fickle consumers, high food costs, increased competition and a shortage of low-wage employees for F-&B woes. As a result, F-&B is seen as a necessary evil for some operators and not as a profit center, says Michael Rippey, executive vice president of Meadowbrook Golf Group.

"One way to look at it is to recognize that it is an expectation of your customers," he said. "But if you're going to do it, you might as well do it well and do it profitably. It can't be an afterthought."

With that in mind, some forward-thinking operators are reworking the traditional F-&B model. More informal dining, more variety, more



Private Golf and Country Club Restaurant Operations

Departmental Income
Minus Cost of Goods Sold

Cost of Food Sold	39.2%
Food Gross Profit	60.8%
Cost of Beverages Sold	34.1%
Beverage Gross Profit	65.9%

Total Gross Profit 64.6%

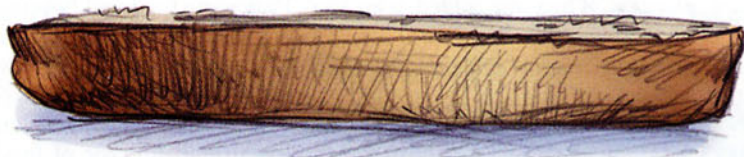
Departmental Expenses
% of F&B Sales with Food Minimum

Salaries & Wages	45%
Payroll Taxes & Benefits	10.2%
Employee Meals	1.9%
Linen, China, Glass & Silver	1.7%
Laundry	1.9%
Other F&B	10.4%

Total F&B Expense 71.1%

Average Departmental Net Loss = 6.5%

Source: National Club Association, 1997 Club Operations Report



he said.

Like many operators, American Golf also focuses on marketing to generate more catering and banquet business. Tournaments, business meetings and weddings are a cash cow for the company, Fox says. In addition to guaranteeing future revenue, scheduling such events makes it easier to project inventory, staffing and budgets.

Increased efforts to cater major events has paid off at the company's Coyote Hills Golf Course in Pasadena, Calif. Veronica Brion, the course's food-and-beverage manager, says the facility is booked a year in advance with weekend weddings. And weekdays are packed with business meetings, she says. Brion says that combination made up two-thirds of food-and-beverage revenue and helped bring the operation in at 130 percent of budget last year.

Another popular approach to shaking up food-and-bever-

age operations is in crafting innovative menus. With more food choices than ever available for the typical consumer, some operators are finding that

"Many courses don't realize that they aren't competing against the club down the street, they are competing against the restaurant down the street."

**—Bob Welcher,
president of Restaurant Consultants**

variety is the spice of business. Although some golfers consistently get the traditional hot dog at the turn, Meadowbrook's Rippey says others want trendier options, such as wraps or low-fat items.

"People like hot dogs and cheeseburgers, but there are also health-conscious people out there," he said.

American Golf is cautious about over-specializing, says Fox. Offering more items means

buying in smaller quantities and reducing margins. In addition, Fox says the company doesn't want to turn off its regular clientele.

"Many repeat customers and members get upset if you change something as simple as a roll or anything else that they've grown accustomed to over the years," he said.

A private concern

The challenge for food-and-beverage operations at private courses is pleasing repeat customers. Balancing what members want and what they are willing to pay for it is a constant struggle. Even though many clubs — because of their non-profit tax status — aim for break-even business, food-and-beverage operations typically run in the red.

National Club Association (NCA) statistics show that, overall, golf and country clubs — including those that require members to pay a minimum food tab —

they need more facilities and therefore have higher overhead.

Bob Welcher, president of Restaurant Consultants, says that he doesn't see the average clubs changing this losing tradition.

"The priority isn't to make money, it's to serve food and beverages in generous portions at a low cost," he said. "Golf courses aren't in the food business, they're in the golf business. It's the same as hotels. They're not in the food business either, they're in the bed business."

And it's not getting any easier. Welcher says many clubs that have banked on repeat business now see members choosing outside restaurants over club facilities. He attributes much of the shift to the influx of a new generation of members.

"Younger members want more variety," he said. "So instead of just a grill and fine dining, they are looking at more themed restaurants, like an Applebee's. Many courses don't realize that they aren't competing against the club down the street, they are competing against the restaurant down the street."

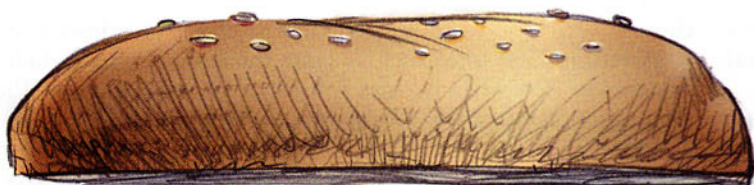
But many clubs are responding. Statistics from the Club Managers Association of America (CMAA) show that 39 percent of clubs have expanded their informal dining space over the past five years, while 22 percent reported reducing their formal dining area. A majority of those that made such changes reported subsequent revenue gains.

Jim Singerling, president of CMAA, says that trend is likely to continue.

"These days, you'll see individuals that don't mind wearing a coat and tie, but not every time they go into the club," he said. "They still want the wonderful view and all of the

averaged a 6.5 percent loss in 1997 on F-&-B sales. Even for-profit clubs averaged a slight loss at 1.2 percent.

The largest clubs have even grimmer financials, according to the NCA. Clubs with annual revenue of \$6 million or greater showed a 14.7 percent loss, while clubs with 800 members or more marked a 16.1 percent loss. Susanne Wegrzyn, executive vice president of NCA, says larger clubs suffer because



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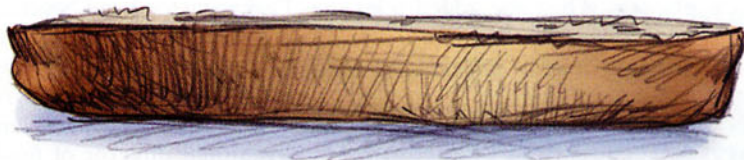
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