FOOD SERVICE FOR PROFIT—PART I

A "Back to Basics" Approach

Allen Gardiner

Editor's note:
In the first of a two-part series, Michael Holtzman outlines a success story. In Part II, we take a look at how three Bay area athletic facilities handle their food service. Photo on the opposite page is the restaurant at the Big C Athletic Club, Concord, CA.

"Food service is provided just as a service to our members. All we want to do is break even." Have you ever heard someone say this before? Some clubs consider the restaurant to be one of the biggest headaches in the club, but with some good effort, understanding, and a little time, you can turn your food service into the #1 profit center in the club. In 1991, our club restaurant broke even—but now it is the #1 profit center in the club with over 12 percent of the club's gross profits!

How did we achieve this, when so many other facilities *can't?* There are several ingredients to our success, which I'll share with you in this article, but first let me give you some industry facts to help you understand why a restaurant is so difficult to operate.

Ninety-five percent of all new restaurants fail in the first year of operation. Familiar story? All of you must know a restaurant in your town that opens up every six months with a new owner and a new name. Then it closes again.

Hey! The restaurant business is not easy! Why? Because most of what is served is perishable. Let's compare it to the Pro Shop. In the Pro Shop, if a shirt is not sold, it can stay on the rack, or eventually go on sale. But if a salad isn't sold, it goes in the trash can! Perishable goods are what makes the restaurant business difficult.

However, all clubs have a distinct advantage over most restaurants—they have a captive audience that is *almost always there.* Every other restaurant has to spend lots of money on advertising just to get people in the door. All we have to do as managers and owners of athletic facilities, however, is convince our clientele that we have a good product at a decent price—not the best price in town, but a decent price.

We aren't McDonald's, but we aren't the movie theaters either. We are very similar to a ballpark: if the consumers don't get something to drink on-site, they must leave the facility altogether just to get something to drink.

Turning a restaurant operation from a breaking-even to a money-making situation first requires a "back to basics" approach. The four most important and most basic areas to consider are the profit and loss statement, food cost, labor cost, and the menu.

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Profit and Loss Statement

The two highest costs of any restaurant or snack bar are the food cost (the cost of the food purchased) and the labor costs. Total all the sales generated for one month, then subtract all the food invoices, sales tax, labor cost, and maintenance costs.

The amount left over is the gross profit. Do a simple Profit and Loss statement like this each month, and it will tell what areas need to be watched.

Food Cost

Food cost should average 33 percent of sales, and should be no higher than 39 percent. If it is higher than 39 percent, then the prices are too inexpensive, the cost of certain foods is too high, or, worst of all, someone could be stealing from you. There's only one way to find out: the menu must be priced out. To cost out the menu, *every item* must be priced out based upon its ingredients. For example, a soda requires Coke® syrup, CO_2, a cup, a straw, and ice. In my cafe, this cost is 19 cents for a 12 oz. soda. I sell it for 85 cents, so my food cost on this one item is 22.4 percent [($.19/$.85) X 100% = 22.4%]. Not all items will be this low, but when any item on the menu is more than 45%, it needs to be looked at. If the total food cost in the restaurant is more than 45 percent, it is very likely this restaurant isn't making much money.

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Labor Cost

Labor cost is the last area that needs to be watched. Depending on the operation, labor cost should average between 20 and 30 percent. If it is higher than this, then profits in the restaurant become much more difficult. Make sure that any manager working in the restaurant is a *working* manager. The manager needs to know everything about the operation, and not just do the office work. This manager must actually work shifts in order to justify his or her salary. Also, building in a bonus system based upon the profit of the operation is a great incentive to ensure that the manager will do everything to make the facility a success.

The Menu—It is Everything!

After all these areas have been analyzed, the menu becomes the last basic area to adjust and improve. I cannot stress enough the importance of working with the first three basic areas first. If the food cost is 33 percent, labor cost is 23 percent, and the profit and loss is in line, it won't matter what's on the menu because the operation will make money!

Look for items on the menu that are selling well, as well as items that are not. If an item is not selling more than 1 percent of the total menu sales, it is probably unnecessary to have that item on the menu. Some menu item ideas that have been successful at our facility are "smoothies" (fresh fruit, grape juice, and crushed ice), nonfat cookies and muffins purchased from a local bakery, soft pretzels, and sandwiches. Menu items that have not been successful are foods that take more than five minutes to make. Members hate to wait for food.

No, the restaurant business isn't easy. But, if the food and labor costs are in line, the profit and loss statement is showing some money left over, and the menu items are good-tasting and profitable, then the basics are covered. "The food service is provided just as a service to our members," but along the way, we might as well make some money, too!

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