



Looking at Your Food and Beverage Operation as a Credit to the Club Rather Than a Debit

BY MICHAEL HOLTZMAN

Warning! This topic is not for the weak or squeamish. However, if you are not afraid to explore outside your comfort zone, then reading this article and applying its framework can result in a little-credited opportunity to increase the bottom line.

Labeled for the longest time as a "necessary evil" in making the club experience more complete, a food and beverage (f/b) operation remains neglected as a source for increased revenues and profits. Whether a tiny snack bar or café with seating and service, the f/b rarely gets the attention it deserves. Fickle, and demanding an acute daily awareness, the f/b operation is one where few are willing to analyze the numbers and apply strategies for keeping costs down and sales up. IHRSA statistics support the scenario. Most club f/b operations are treading red ink.

The f/b within the club should be run as a business inside of a business. At the least the goal should be to break even. After all, if a food operation outside of a club is generating a 10% profit margin while still paying rent and utilities (two key expenses that are not charged against many in-club food operations), the potential for better margins seems vast.

Not unlike following a strict workout regimen, taking on f/b requires some initiative, a plan, and a consistent routine. There is a fine line that separates maximizing profits and taking away from a guest or member's experience. Applying a basic set of systems and procedures will help to focus on that line.

TAKE A WEEKLY INVENTORY

Counting the product once a month just isn't going to cut the mustard. The purpose of the inventory is to help analyze usages versus sales. For example, if there is a discrepancy (due to waste, pilferage, etc.) in the first week of the month and the Accounting Department doesn't get the financial figures out until the middle of the next month, how easy is it going to be researching a six-week old problem? Weekly results throw up early "red flags" that something may be amiss. Weekly counts also yield other benefits:

- A familiarity with just how much f/b-related produce is sitting on the shelves, which may or may not bring up issues with freshness, organization or cash flow.

- A more scientific approach to better ordering and preparation habits.

- A double-check system by which the f/b department, as they manage their own numbers, can compare their results with those of Accounting. This can eliminate invoices paid twice or credits for goods never received.

A weekly inventory does not guarantee anything. It is only one of a few tools used to measure. It is not uncommon in successful operations that some key inventory items are inventoried on a daily basis.

CONSOLIDATE YOUR PURCHASES TO AS FEW SUPPLIERS AS POSSIBLE

Spreading out your f/b business to many vendors gives little leverage power. In addition to food supplies, you need paper, janitorial, small wares, etc. It may be time to bid out your account and create some competition for your business.

Remember that even though you may not be the biggest player in town, you are probably no small operation either.

Not unlike buying a car (!), shopping for groceries with a big supplier can be an intimidating experience. It is important to understand what is being charged and why. If we don't ask, they certainly won't tell! Other benefits of going with fewer suppliers include:

- Fewer times during the week that you have to open up your back door to let someone in.

- Fewer invoices to process and less paperwork for all.

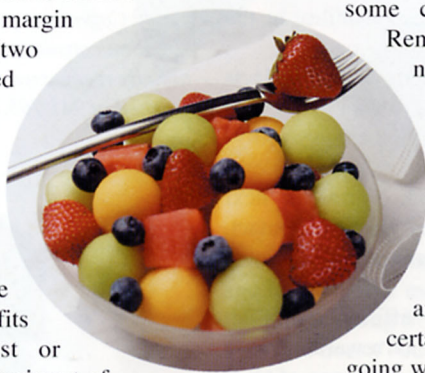
COST OUT THE CURRENT MENU

Is the menu built for success? In extreme cases, the menu price has been found to be lower than what it cost to sell that item over the counter! To find a true cost of goods (COG), each menu item cost (that is, what did the club pay for an item) must be divided by the menu price to determine the COG%. Plates like sandwiches and salads must be broken down into their



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individual components, including paper and condiments, to find the true COG.

If the COG target for a food operation is 35%, it stands to reason that if much of the menu has been priced at 40%, the target is a mirage. On the other hand, should it be discovered that a costing of the menu reveals many items are sub-35% and the operation is running a 45% COG, things need to be investigated.

The menu also needs to be examined as a tool of effectiveness. What is selling and what is dead weight? The layout of the front counter or menu alone can influence what sells. By creating a "menu mix" or sales analysis, a manager can intelligently pare down selections or make room for new menu ideas. Follow a few restaurant truisms:

- You can't be everything to everyone.
- Do a few things really well rather than a bunch of things average or poor.
- Allow for the option of "daily specials" to keep things interesting and experiment with new ideas. This is also an avenue that allows a club to listen to what the membership wants on the menu.
- Create a "signature" item that reflects value and quality and ensures good margins.

BUILD HISTORICAL DATA

It is impossible to predict exactly how much volume a food facility is going to do on any given day, but you can sure get close by following trends and charting past results. Knowing how much business was done at the same time last year or what has happened the last two weekends can help to forecast sales and the right amount of labor to schedule; understaffing an operation is as counterproductive as overstaffing. (Remember that fine line that constantly moves.)

EVALUATE THE POS SYSTEM

How sophisticated is the cash register or "point of sales" (POS) system? Some restaurant systems cost thousands of dollars and offer software options that gather many levels of f/b data. More often than not, these options go unused. Because of technology advances, many new cash registers are capable of generating the above information for far less of an investment than fine-dining software.

Are lines too long and people going elsewhere to grab a bite? Maybe the POS is too sophisticated and requires too many steps to process a sale (if the cashier has to hit four keys to ring in a bottle of water, let alone

a complete order, the line has little chance of moving any faster than a glacier.)

KEEP YOUR F/B STAFF INFORMED OF WHAT IS HAPPENING

No one person can hope to manage a food facility successfully alone. Like most company goals, the team approach is the only sensible one. Sharing the workload exposes staff to new learning experiences and forces people to interact with each other, thereby reinforcing the team theme. It's a positive cycle.

People like to know how they are doing in work performance. By nature, everyone wants to do a good job and be recognized for it. By posting numbers and results on a timely and ever-changing schedule, the staff remains interested and can relate to the overall goals. If they know how much raw product is wasted daily or how many turkey sandwiches or smoothies are sold in a day or week, they can take and use the information in many different and effective ways.

The f/b business has often been characterized as a "nickel-squeezing" venture. It makes sense that in order to get the f/b team to buy into the concept of taking an "ownership" attitude towards running the facility, an incentive program should be considered. Like other areas experiencing change in the club industry, pay is being tied more and more to incentives and less to base pay. This concept can only be viewed as win/win for the club.

SUMMARY

The bag of tools for managing f/b does not include a magic wand. It may rank as one of the most difficult things to do right, but there is much satisfaction to be gained both margin-wise and in personal business skill development if one has the motivation to address it.

As competition for membership increases, clubs will be seeking ways to enhance the overall experience of a visit. Food and beverage will play a more influential role in the member or guest's total satisfaction. The progressive club attitude will be to face that challenge head-on by not only taking care of the clientele but by rewarding itself for all the hard work, too. That reward will come in the form of increased profits driven by well-managed operations. ■

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