

# The F&B quandary

If you're losing money or breaking even on food and beverage, you're in good company. Just don't lose money for the wrong reasons. **BY MIKE STETZ**



Cheeseburger ... **\$10**

(Median prices)



Salmon Entree ... **\$22**

When Ken Butler was interviewing for the position of chief operating officer at the Berkshire County Club in Reading, Pa., in 2012, the board members asked him how he would turn around food and beverage.

He answered by asking them, "Why would you want to?"

"They looked at me like I was crazy," he said.

Well, not anymore. The members at Berkshire have since seen the light. Thanks to data provided by Club Benchmarking, a Boston-based firm that offers a benchmarking business intelligence tool to clubs, Butler has been able to show them how the club's F&B performs quite well compared to similar clubs.

It only loses about 1 percent.

"Before, we didn't have data," he said. "We only had our own little world."

The belief that food and beverage should turn a tidy profit has been around for decades. In the past, with much work, it could be done. But back then, clubs were bursting with members and had waiting lists.

When golf hit rocky times and saw memberships plunge, it soon became obvious that food and beverage was a vital component needed to keep and attract members, Butler said.

So making it profitable was not as important as making it a draw.

"You have to look at the big picture," he said. "And the big picture is dues and retention."

Russ Conde, COO and co-founder of Club Benchmarking, said F&B is more important as an amenity.

"It's an important social amenity," Conde said. "But it's not a profit center."

That's because such operations, no matter how well run, have several handicaps. For one, they are not open to the public, so they have a finite number of customers — club members and their families. They can have significant labor costs because staffing can be problematic, given that many clubs offer more than one dining venue. And pricing has to be competitive with — or even cheaper than — nearby restaurants or else members will go there.

Butler used to own a restaurant, so he knows how the two operations work. They are similar in that they both serve food and beverage, he said. But, that's about where the similarities end, he added.

For one thing, his club offers several dining experiences. However, it's costly to fully staff all such venues at the same time, Butler noted.

"We're operating multiple outlets and all at the same time," he said. "A restaurant would never do that."

And you can't scrimp on service either, because members expect a high level. "If we were to focus on making money in food and beverage, we would have terrible service," he said.

And members would then question their investment in the club.

Most clubs — 75 percent — lose money when it comes to food and beverage, according to Club Benchmarking, so if you're a club losing money, you are hardly an anomaly.

And the loss likely isn't substantial enough to cause all of the angst that many private club leaders feel over it. The average loss is only about 4 percent of the club's available cash — or gross profit — according to Club Benchmarking tallies, which

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includes data from about 1,000 private clubs.

"If they are in that range, we say, you're fine, stop worrying about it," Conde said.

But it's still important to make sure the losses don't add up.

### How to lose less: inventory control

Want to help your food and beverage operation do better?

For one, watch your trash. It can be telling.

Suppose your kitchen dishes out four ounces of salsa for each nacho serving, but an ounce comes back unused and is tossed. If you're buying four liter bottles of salsa at \$12 each and serve 50 nacho orders in a week, in a 25-week span, that one little ounce is costing \$110.

"It might not sound like much," according to an analysis by BridgeCore, a restaurant hospitality consulting firm based in Canada and run by J. Robb Bowker. "But for 30 seconds of work, you have isolated a loss and turned it into a gain."

While private golf clubs may have some extra hurdles in turning a profit with food and beverage compared to public restaurants, clubs can still take steps to control costs.

The first thing Bowker asks clubs is if they have a standard operating procedure or a plan on how to run F&B.

"A lot depends on that and how well it's executed," he said. "Some might not even have one."

And one needs to be aware of trends in

the industry, he added. Take limes. Prices have soared because of weather conditions in California and Florida. Many clubs put lime slices in beer, soda, cocktails and water.

A case of limes may have ballooned by as much as 400 percent, to \$120 a case in the past year, he noted.

He broke it down this way: "If you get six slices per lime and there are 175 limes in a case, you should have 1,050 lime slices. Let's say your operation sends out 300 drinks with a lime each day. At this price point, in 2013, the cost of garnishing these beverages would have been \$3,128.42 a year. By May 2014, it equates to \$12,483, for a difference of \$9,354.58.

"It may be more economical at this point if you choose not to garnish pop and water altogether and put limes only on drinks that would traditionally come with them, such as certain beers or cocktails."

Clubs over-ordering food is also a problem, noted Bill Schwartz, CEO of System Concepts in Scottsdale, Ariz. He developed FOOD-TRAK, a software system that helps clubs better manage inventory.

Some clubs rely on chefs to order food, which is not their specialty. Cooking is, he said. At private clubs, it's hard to track demand, so there's a tendency to wing it.

"We try to change the way clubs do business," he said.

Whitney Reid, president of Reid Consulting Services in Phoenix, said clubs make money from food and beverage in nickels and dimes, so every nickel and dime has to be looked at.

She initially does an audit of the opera-

## Private Club Financials



Johnnie Walker Black ... **\$8.50**



Grilled Chicken Sandwich ... **\$9.50**

tion to look at historical data.

"There's always an opportunity to do something," she said. Some of the quickest changes can be tackling waste and monitoring portion sizes, she said.

But other changes can include menu pricing, menu changes, ordering procedures and inventory control, to name but a few.

### The labor challenge

Inventory control is good, but labor is actually the biggest cost, with an average club using 64 percent of its F&B revenue on that one component, according to Club Benchmarking.

Some clubs may even use 100 percent of their revenue for labor if their philosophy is to offer superlative service and food and drink offerings. Bigger, more-well-heeled clubs may go in that direction, Conde said.

And that can be fine, he said, as long as the club is generating sufficient available cash (gross revenue).

"If the club is stealing capital income to support operations you can't afford that," he said. "If the club is breakeven or better and that's the culture you want, that's fine. It's about having an overall sustainable business model for the club."

Private clubs have a tendency to over-analyze everything about food and beverage, from menu prices to the number of weddings the clubs host, experts say.

Even though F&B accounts for 30 percent of revenue, spending significant board time on monthly F&B financials is

not the best use of time, Conde said.

"They're sort of missing the boat," he said. "They should concentrate on how to grow membership and to make members happy."

Some clubs try to add revenue by hosting more weddings and banquets, he said. Yes, that can help the bottom line, but it comes with a cost. For one thing, the club has to add personnel to manage and staff the events. Secondly, club members have limited use of the club during such events or just don't like 400 strangers roaming around every weekend, so they might avoid coming.

One club that relied heavily on banquets and weddings — and making a profit doing so — decided to cut back because the extra work, membership displacement and facility wear-and-tear wasn't worth the revenue they were seeing, according to a Club Benchmarking web posting called, "For Better or Worse —The Unromantic Truth About the Wedding Business."

"This club's leaders recognize that member lifecycle gatherings such as birthdays, anniversaries and weddings are an amenity their members value, and those events will continue to be a key part of the club's culture," the posting said. "Less emphasis will be placed on driving for more 'off the street' banquet revenue, and the club's leaders have reached agreement on a more balanced view of other available cash sources such as new member dues or golf operations revenue."



Slice of Cheesecake ... **\$6**

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