



F&B and the BoD

Featured in the July/August 2012 issue of The Boardroom Magazine.

Let's face it. Club boards are typically not made up of food and beverage professionals. But in many cases 30% or more of the club's annual revenue comes from the F&B operation. So expertise or not, club boards must be ultimately responsible for directing this subset of their business. As with other operational aspects of the club, professionals are hired to handle the F&B department. Chefs, F&B Directors and Clubhouse Managers are charged with delivering the results the board requires. But the game is defined by the board, and in many clubs, it is rigged for failure by setting unreasonable objectives and by providing insufficient tools with which to manage the department. Boards that are dissatisfied with their club's F&B performance must first look at themselves to be sure they aren't part of the problem.

The Five Roles of the Board in F&B Management

There are five primary roles for the board to play with regard to F&B. First and foremost is defining the club's vision for the department. The number and type of food or beverage outlets, the types of menu offerings, the pricing targets, hours of operation, employee meal policies and banquet department objectives are all part of this vision. These things define the look, feel and marketability of the game. The second role is providing funds for the proper furniture, fixtures and equipment with which to operate the department. The third role is establishing the budget and target food and beverage cost percentages. This is the board's way of setting the rules for the game. The fourth role is providing the tools for monitoring the performance of the department to insure it meets the board's objectives. And the fifth role is to analyze and react to the information provided by these tools and the staff in such a way as to serve the best interest of the members.

The first role – the board's vision for the club's F&B operation – is obvious and has already been defined by all established clubs. However, it is important to note that this vision plays a huge role in the second and third role – equipment and annual budgeting. Assuming the proper investment has been made in furniture, fixtures and equipment, we can move on to the third role.

Establishing the Operating Budget

Typically stated as one number for target food cost percentage and another for target beverage cost percentage, these two budget numbers have far-reaching implications, and must be considered carefully. They define the scoring objective of the game and are used as the yardstick by which performance is measured. Once these numbers are established by the board, the F&B department essentially has its marching orders. And that would be fine – as long as the board doesn't make or change rules that affect the objective. Examples of this include board requests to increase portion sizes, reduce prices, add expensive menu items, provide additional amenities, increase food or liquor quality or extend operating hours without a corresponding change to the budget number.

In order to meet the budget objectives while maintaining the menu pricing strategy set by the board, the F&B operators must build recipes and find sources for ingredients that result in the correct finished product costs. If a hamburger sells for \$10 on the lunch

menu and the food cost objective is 40%, the recipe can cost no more than \$4 to make, after considering ingredient yields (some items must be trimmed or cooked, resulting in less than 100% yield). They do this by balancing item quality with portion size. And since ingredient prices change constantly, they need to aim slightly lower to allow raw costs to increase without forcing a change to portion size or menu price. It's a complicated process, but that's what these folks get paid for. It is their job to build the recipes and then execute them properly, and they can be held responsible for that. But changing the rules as mentioned must result in new recipes and/or changes to existing recipes in order to hit the budget objective, and changing recipes and menus midstream can create many other problems. In many cases, F&B managers just have to grin and bear it, and hope the numbers come out OK. Which brings us to the fourth and fifth roles of the board.

Providing the Tools

Vastly oversimplified above, operating an F&B department to meet fixed budget objectives is a highly complex endeavor. Even restaurants (doing nothing but F&B) are challenged, with mortality rates approaching 50% annually. To make matters worse, clubs are typically far more complex than restaurants, operating multiple outlets, banquets, buffets and feeding large numbers of employees. They are also far more seasonal, and have no legitimate way to market to a broad audience since they are restricted primarily to their own members. Clubs require far more capability in their F&B management tools than restaurants – in many cases they need the type of F&B management system typically found in resorts, convention centers and other complex foodservice operations.

Unfortunately, boards are reluctant to pony up for these systems. Instead they force the F&B department to rely on spreadsheets – a product of the 80's, or inexpensive recipe costing programs and restaurant-grade inventory systems. Using spreadsheets for F&B management is like using hundreds of push mowers instead of a few tractors on the golf course. Far more labor is required and they are much less accurate or informative. Restaurant-grade recipe and inventory systems are like using home checkbook software instead of a club accounting system. Both these tools are inefficient and incapable of producing the results today's club F&B departments require. They are also incapable of providing the information required to manage and analyze the department – information needed by both department managers AND the board in order to make informed decisions.

Analysis and Action

These club-capable F&B systems can be fairly expensive to implement compared to restaurant-grade systems, since they require professional services for database construction, training and successful implementation just like any other major club system. Thanks to the cloud, however, they are inexpensive to operate since they don't require an investment in hardware or software. The monthly cost can be expensed and easily recovered many times over – starting immediately.

And with these systems, board members can find out virtually anything they need to know about the F&B operation instantly, including venue costs and profitability, price history and its impact on food costs, recipe costs, item variances caused by theft, waste spoilage and over-portioning. Board members can look at Menu Engineering reports, bid price comparisons, receiving effectiveness, fabrication yields, wine cellar performance, menu item ranking by popularity, buffet costs, banquet profitability and hundreds of other aspects of the operation.

The systems also introduce business process flows and disciplines that help the club place less reliance on talent and be less vulnerable to personnel changes – especially key positions such as F&B directors or chefs. Inventory extensions are available instantly, transfers are automatically costed and posted to the appropriate accounts, and all systems – POS, accounting, catering and even vendor ordering systems can be electronically integrated to eliminate double entry and reduce labor costs.

This cannot be done with spreadsheets and tools designed for restaurants. Boards need to take the responsibility and invest in the appropriate tools for their club. And when they do, they will wonder how they ever survived without them.

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