



## Taking Club Food and Beverage Operations to the Next Level

Featured in the Spring 2011 issue of Golf Business Canada Magazine.

Each year, Canadian golf courses lose approximately 5% of their total food and beverage (F&B) revenue to overuse. On a per-facility basis, that equates to more than \$50,000 per \$1 million in F&B revenues. If the facility does fairly well and manages to maintain a 5% profit for its F&B department, recovering this loss would have the same effect on profits as DOUBLING sales!

The two primary areas that need improvement to recover these losses involve the organization's procurement processes and the ability to identify specific item loss due to theft, portioning and waste. According to Ivan Bilenki, Food and Beverage Manager for the University Golf Club in Vancouver, changes to typical manual club procurement practices alone could reap significant savings. "Using bids to get better pricing from vendors could shave between ½ - 1% off food costs," says Bilenki. "And if the receiver uses a purchase order to receive and therefore knows what's coming in and what price it should be, another ¼ to ½ point could be saved there. If you are not watching prices you are going to lose a lot."

Given the significance of this portion of the business, it seems strange that more emphasis and resources would not be devoted to F&B. Few golf courses would consider operating without membership accounting software, but most operate without F&B control software. For most, that means more than 30% of the total business operates with inadequate control.

So why have golf courses in Canada been slow to adopt more modern methods for controlling food and beverage costs? "To many private club members, profit derived from food & beverage has long been regarded as an unnecessary cash grab," says Jon Fisher, CCM, general manager of Willow Park Golf and Country Club in Calgary. "Taking F&B operations to the next level might require adopting a policy for achieving F&B profit, thus increasing respect for the benefits of available technology, systems & training; as an investment in growing the financial health and competitive standards of the facility."

While looking at F&B operations as a necessary evil may be one answer, another answer may simply be resistance to change. Labor availability and skills, food price fluctuations, forecasting difficulty, highly perishable inventory, competition and other factors combine to make food and beverage operations very difficult to manage. When managers and chefs figure out a way to make it work and become successful at it, they are reluctant to change anything. But recapturing this loss is simply a matter of using different tools and mindsets to manage how food and beverage is purchased, received, monitored and used. By improving procurement practices and controlling usage, golf courses can minimize unnecessary losses and maximize profitability.

### Hitting the Budget Might be a Bad Thing!

What about the accounting system? Doesn't it handle F&B control as well? Golf course owners and operators have always focused on Profit and Loss Statements (P&L's) for controlling F&B costs. They typically set budgets for F&B costs as a percentage of sales, and ask F&B managers to meet or exceed the budget. Golf courses that come in at or below budget are thought to be well-operated, while managers or chefs at those who don't could eventually lose their jobs as a result.

But the budget may not necessarily be a good indicator of control. Consider the example where golf course A runs a 45% food cost, and golf course B runs a 50% food cost. Assume the budget for both is 45%. Which is better controlled? Using the budget as a guide, it is likely that Course A's management would be happy with the performance, while Course B's would not.

	Food Cost	Budget F.C.	Variance
Golf Course A	45%	45%	0%
Golf Course B	50%	45%	5%

On the other hand, if we have information from an F&B control system (based on each organization's sales, recipes and yields), Golf Course A should ideally have run a 40% food cost, and Golf Course B should ideally have run a 48% food cost, the picture changes. In this case, Course A ran 5% higher costs than it should have, while Course B was only 2% higher. Obviously Course B was better controlled, even though the food cost percentage was higher and exceeded the budget. Consider how differently management would react if this type of information was available.

	Food Cost	Budget F.C.	Variance
Golf Course A	45%	40%	5%
Golf Course B	50%	48%	2%

With only budgets and other accounting data to use as a guide, Course A would be rewarding management, while Course B might decide to search for new staff. However, with actual versus ideal as opposed to actual versus budget information, the situation would be reversed. The difference in approach based on useful data is dramatically different.

## Managing Procurement and Identifying Usage Variances – Key to Control

The ability to quantify specific F&B overuse in a timely manner, combined with the understanding of the causes of overuse, leads to an ability to specifically manage usage and thereby minimize F&B cost overruns. This type of information is not available from P&L statements. In addition, the P&L is generated typically on a monthly basis, and comes out in some cases weeks after the month ends. Managing overuse requires immediate notification and rapid response times. In order to get this type of information, other data must be collected and analyzed.

Golf facilities with the capability to use vendor bids, create purchase orders and properly handle the receiving and invoice reconciliation function have at least a 2% advantage over those that don't. Another 2% advantage can come from quickly identifying specific usage variances and thereby reducing spoilage, waste, theft and portioning problems. These capabilities are difficult to achieve manually, due to the amount of labor required to collect and process the data. But saving labor associated with data collection and processing is what automated systems are all about.

## Automated F&B Systems Make Better Control Possible – Summit Golf and Country Club Case Study

The Summit Golf and Country Club in Richmond Hill, Ontario is believed to be one of the first in Canada to adopt a fully automated food and beverage management system. Summit is an average-sized private club with annual food and beverage revenues of slightly under \$1 million. David Martin, a long-time Canadian club manager, was responsible for bringing the system into the Summit. As Summit's COO and General Manager, Mr. Martin believed it was time to move to the next level. "With the exception of our POS system, we were using forms and spreadsheets and doing almost everything manually when it came to food and beverage," said Martin. "I noticed that many of the more innovative club managers in the US had begun to adopt more sophisticated systems, so I began to investigate their approaches. After some study, we decided it was time to bring a system into our club."

Martin proceeded to make a number of changes in conjunction with the automated system. "We realized that software does not control anything – people do," says Martin. "As a result of the labor savings from the automated system, we were able to implement numerous checks and balances to keep F&B costs to an absolute minimum. For example, we changed our procurement approach to centralize our purchasing, and all departments now place requisitions in the system instead of calling the vendors directly. Having one person in charge of all vendor relationships and ordering significantly increased our control over club spending."

Richard Creally, formerly AGM and now the current General Manager for the Summit (Martin has left and is now providing consulting services to other clubs interested in automating their F&B operations), believes the automated approach has saved the club both money and time. "Our use of handheld scanners has vastly reduced the time required to take inventory and the inventory has never been as accurate or as timely," says Summit's Creally. "We save many hours previously required to reconcile inventory, and the payroll cost associated with the time required for taking inventory is substantially lower. On top of that, I now have staff that is happy doing something which has been arduous to them for years."

Creally estimates savings from moving to the automated system of more than 2% of annual F&B revenues, not including labor cost savings. "It's difficult to put an exact value on the savings," says Creally. "But our ability to take fast, accurate inventories at will, tightly control procurement, have automatically updated current recipe costs, catch invoice errors as goods are received, integrate with vendors and club systems and our ability to know where we stand every day as opposed to after the end of the month is invaluable. Nobody wants to go back to the old spreadsheet days at this club!"

---

Shawn Ganderton handles Summit's procurement responsibilities. "Our chef and other departments submit requisitions electronically, and the system creates purchase orders for everything based on vendor bids and club preferences," says Ganderton. "I have tight control over what we order and what we pay. Purchase orders are downloaded to the scanners and we can receive goods, reconcile invoices and update our payables system electronically. Each of these functions has saved us significant time and money."

"The move to automated systems is as inevitable as the move from columnar pads to spreadsheets or from manual tickets to point of sale systems," Martin summarizes. "Not to mention the move from mailed newsletters to web pages and automated tee times in just the last few years. These types of technological leaps have made clubs far easier to manage, and have improved their ability to reach and satisfy members while keeping costs to a minimum. In addition, today's high speed internet connections make it possible to use software without purchasing it or purchasing and maintaining the related hardware. As a result, we only needed to cover the professional services fees to implement the system, which easily paid for itself the first year. People came to the club, built the database, helped us develop new procedures and trained our staff personally. After that it was simply a matter of paying the hosting service fees, which are far less than the potential savings."

Just like the manual bookkeeping system, the crank-style cash register and mimeographed newsletter, taking the organization to the next level involved moving to newer technologies and accompanying processes. While doing so is not always easy and cheap, it would be hard to find anyone willing to go back to the old ways. The same is true for food and beverage management. The question becomes when – not if – your organization will be making the move.

*About the author: Bill Schwartz is president of System Concepts, Inc. (SCI), and has been a food and beverage management consultant since 1980. Based in Scottsdale Arizona, SCI is the developer of the FOOD-TRAK Food and Beverage Management System, which is widely used in clubs around the world. Bill is a noted author and lecturer, providing seminars and workshops on a variety of food and beverage management topics. He can be reached at [bills@foodtrak.com](mailto:bills@foodtrak.com).*