Food and Beverage Systems: *The Final Frontier*

by Bill Schwartz

Casinos have come a long way with regard to implementation of technology in the last 10-20 years. They no longer use columnar pads and spreadsheets for their accounting system. They no longer use hand-written tickets for their dining room and bar tabs. They have automated gaming systems, electronic security systems, climate control systems and advanced lighting systems. They have wireless access to the Internet and interactive web sites for all sorts of two-way information flow. But the one thing very few casinos have, when it comes to technology, is a true food and beverage control system. These systems represent the final frontier of technology in the casino industry.

Food and beverage systems, the least prevalent of all casino systems, also hold the most promise for reduced costs and easier-to-manage operations – especially important in more difficult times such as these. Consider that food and beverage revenue represents an average of 20% of total casino revenue. If these systems could help reduce food and beverage costs by a few points (which for some casinos would be a highly conservative estimate), the average casino could save nearly $30,000 per million in F&B sales per year!

Don't We Already Have This?

But food and beverage systems are misunderstood. Perhaps a better way to say it is that many casino general managers and tribal council members don't know what they are. They assume these capabilities already exist in the casino. After all, the casino has an accounting system, the casino takes inventory, the casino gets profit and loss statements that identify food and beverage costs. The casino has budgets and targets for food costs and beverage costs. The casino has POS systems and some even have procurement systems and recipe costing systems. But none of these systems are designed to control food and beverage costs - they are all designed to account for it.

So what's the difference between systems that account for food and beverage costs, and systems that are designed to help control these costs? To answer that question, it is important to note that no system can control costs. People have to do that. Accounting systems are designed to compile transactional data and use it to track what the casino owes, who owes the casino, pay the staff, and ultimately produce financial statements. But what system does the casino provide the chef or food and beverage manager to help control their areas of responsibility? The P&L that shows up seven days after the month ends is certainly not a useful tool for either of them.

Critical F&B Management Tools

Food and beverage procurement and management systems help chefs and managers control food and beverage costs by providing daily information identifying what happened and comparing that with what should have happened - on an item-by-item basis. For example, they can identify how much shrimp was used last night and compare that with how much shrimp should have been used last night. They can tell the chef how much food was wasted and the value of that waste every day. They can identify the current cost of every recipe on the menu and the associated margins. They can warn chefs when item prices have risen to the point that certain menu items may not be as profitable. They can tell food and beverage directors what the biggest contributors to profit were last night, last week and last month. They can identify discrepancies between purchase orders and invoices. They can monitor the effectiveness of cooks as they cut meats and seafood. They can track buffet costs and usage. They can determine exactly how much food to order, figure out who has the best price and automatically create purchase orders. And they can cut inventory time in half with scanners.

The list goes on, but the message is clear. This type of information is not currently available to F&B personnel. It would simply take far too much time (labor) to produce manually. But F&B systems provide this information with little or no additional labor, and they should be able to use the data to better manage these operations and systematically reduce and control operating costs. Oh, and these systems also share information with other existing casino systems in order to eliminate additional or unnecessary labor. In a nutshell, they handle the complexities of casino F&B procurement and provide critical inventory management information on a daily basis, making it possible to stop unnecessary losses long before the financial statements come out.

It's All About Cost and Comfort

Assuming all this is correct, then why don't all casinos have this type of technology? That answer is a bit more complicated, but it boils down to cost and comfort. The comfort issue basically means that casino managers are reluctant to invest in things they don't clearly understand. Since many casino managers have never used systems like this, they are unsure what's involved, and how it will change the way the casino operates. This point is easily proven by simply looking at the casinos that have adopted sophisticated food and beverage

management systems. In almost every case, the casino manager had a food and beverage background, meaning they understood the importance, impact and return from these systems. As a result, they were not afraid to entertain the proposition, even if the cost was significant.

Which brings us to the second issue - the cost. Food and beverage management systems don't implement themselves. Even in hosted environments, where the casino doesn't even deal with software or hardware issues, these systems must be professionally implemented. Databases must be built, processes and procedures must be introduced, and people must be trained. Given the complexity of the F&B operation for the typical casino, this process could span 60-90 days or more. Since it requires on-site professionals to do the work, it acts like a consulting project and costs upwards of $30,000. For larger casinos the costs could reach $60,000 or more. Of course, larger casinos have more to save, so in the end, most casinos only need to see a 3% cost reduction to justify the system in the first year.

Resistance is Futile

The restaurant industry would not consider operating without this type of system. But companies where foodservice is not their primary business have lagged behind. Cost and comfort have kept strong controls and tools out of the hands of casino managers and chefs. It was far easier for casinos to fall back on accounting and general procurement systems, since they were already manually doing the functions these systems perform. It took a bit longer to implement web sites, since they were not used in the past, but it was easier to be comfortable since everyone was familiar with the concept, and the cost was relatively low.

None of this is the case for food and beverage management systems. They have not been used before, they are not familiar to many casino managers and tribal councils, and they can be fairly expensive. That's why this type of technology has been adopted by the most forward-thinking casinos, while the rest are waiting to get more comfortable with the concept. In the meantime, they forego the benefits the early adopters enjoy. Just like all the other systems casinos employ to help manage their operations, sooner or later all casinos will implement these systems –

primarily because they can't afford not to. Given the current economy and the fact these systems may represent the best way to save significant money for casinos, perhaps the time has come to gain a comfort level by learning more about it, and then take advantage of the final frontier! ♣

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