



Bulletproofing Club F&B Operations

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About the Instructor

Bill Schwartz, CHTP, is the CEO and founder of System Concepts, Inc. Since its inception in 1980, SCI has specialized exclusively in consulting and systems associated with food and beverage management. To support his approaches to F&B control, Bill was instrumental in the development of the FOOD-TRAK System, a combination of software and techniques used to make tight control of food and beverage usage possible. While Bill's FOOD-TRAK system and its related techniques and processes are used by more than 10,000 clients around the world, Bill is also widely known as one of the industry's leading experts and most dynamic speakers on the topic of food and beverage inventory management, as well as the use (and misuse) of available technologies as they relate to F&B management.

A graduate of Michigan State University, a Certified Hospitality Technology Professional and a noted speaker for more than 25 years, Bill has developed and presented seminars for the Club Managers Association of America (CMAA), Hospitality Financial and Technical Professionals (HFTP), National Golf Course Owners Association (NGCOA), Canadian Society of Club Managers (CSCM), National Indian Gaming Association (NIGA), National Restaurant Association (NRA), the American Hotel and Motel Management Association (AHMA), and other associations across the country and throughout the world. Through his seminars and articles, he revolutionized the process by which food and beverage inventory is managed.

One of the first to downplay the traditional use of food and beverage cost percentages to control inventory, he views them as inaccurate and largely meaningless numbers for purposes of controlling food and beverage inventories. Instead, Bill focuses on *usage* management, offering operators ways to improve cash flow and significantly reduce waste, theft and other types of food and beverage loss. The use of his control techniques results in significant increases in food and beverage profits, and works proactively, as opposed to the reactive approach represented by P&L evaluation and flash reporting.

Today, as a recognized expert in the industry, Bill is a frequent contributor to various industry trade publications. Bill's expertise and unique approach has lead to hundreds of speaking engagements and seminar presentations. He presents seminars for trade associations, colleges, universities, corporate conferences and trade shows in addition to the seminars and workshops he develops and presents for private clients.

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Section I: Presentation




Notes:

Bulletproofing Club F&B Operations



Presented By:
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About Me



- ❑ Name: Bill Schwartz, CHTP
- ❑ Education: Michigan State University
- ❑ Occupation: CEO and Founder of System Concepts, Inc. (Consulting firm and developer of FOOD-TRAK®)
- ❑ Been Doing This Since: 1980
- ❑ Seminar Background: Developed seminars for CMAA, HFTP, CSCM, NGCOA, AH&MA, NRA, NIGA, and private clients
- ❑ Publishing: Articles for trade publications such as Club Management, The Bottom Line, Club Manager Quarterly, The Boardroom, Nation's Restaurant News, Indian Gaming, and many others

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Presentation Outline

- I. Objective – Bulletproof F&B Operation
- II. Structuring for Success Overview
- III. Automation and Integrated Systems
- IV. Accounting as a Profit Center
- V. Dealing with Labor Costs
- VI. Making the Transition

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Notes:

The Perfect Storm!

Massive changes underway – economic and financial market crisis, food prices rising, new audit standards enacted, competition increasing, immigration laws tightening, wages going up...

But the way we control F&B hasn't changed in decades.

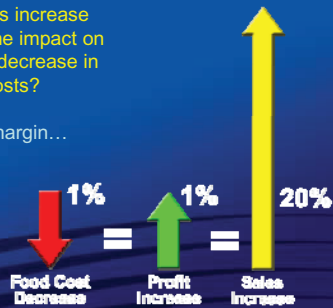


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Increase Sales or Reduce Costs?

How big would a sales increase have to be to equal the impact on profits of a one point decrease in food and beverage costs?

Assuming 5% profit margin...



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What's At Steak?

In the **next 24 hours** –
14,000 private clubs will lose \$2.4 million to **insufficient control**

\$30,000 - \$60,000/year lost needlessly per \$1 million in annual F&B revenue!

Source: CMAA, Smith Travel Research, SCI

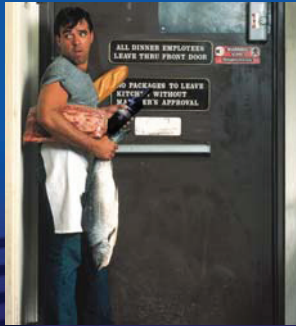


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Notes:

What's Causing the Problem?

- ✓ Theft
- ✓ Waste
- ✓ Spoilage
- ✓ Over-portioning
- ✓ Poor yield



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What Stops Us From Solving It?

- ✓ Monthly P&L's the primary reporting tool
- ✓ Most responsibility placed on F&B department
- ✓ Lack of specifics leads to speculation
- ✓ Rapid turnover of key F&B positions are typical

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What's the Percentage in Managing by Percentage?

- ❑ P&L Numbers are Wrong:
 - ❑ Inventory counts inaccurate
 - ❑ Inventory valuation inaccurate
- ❑ Control Data's Wrong:
 - ❑ Consider seasonality?
 - ❑ Consider price fluctuation?
 - ❑ Consider product mix effects?
 - ❑ Consider banquet effects?
 - ❑ Consider recipes, yields and sales mix?
- ❑ Can't Bank Percentages!

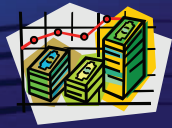


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Management Issues

- ❑ P&L values are not timely or accurate
- ❑ No specific variance information available by item
- ❑ Lack of specifics leads to speculation and blame game
- ❑ Whole process too dependent on talent

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Notes:

Control Fundamentals

1. Control can't be purchased
2. Control is a "culture"
3. Control is a shared responsibility

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Bulletproofing F&B

Objectives:

1. Checks and balances
2. Shared responsibility
3. Accurate and timely variance information
4. Maximized traffic
5. Minimized labor

And of course:

Minimized unnecessary losses!

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Notes:

If losing a chef or F&B director means:

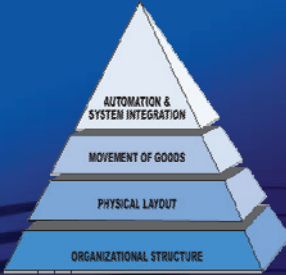
- ✓ menus will change
- ✓ other F&B staff will be hired or fired
- ✓ procedures will change
- ✓ vendors will change
- ✓ accounting data will be affected
- ✓ new systems will be implemented
- ✓ a period of chaos will ensue for awhile...

You're not Structured for Success!

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F&B Integration – Success Through Structure

Most clubs are not properly structured for F&B success. Implementing systems without proper structure leads to failure.



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Bulletproofing the Organizational Structure

Restaurant companies don't have food and beverage departments...

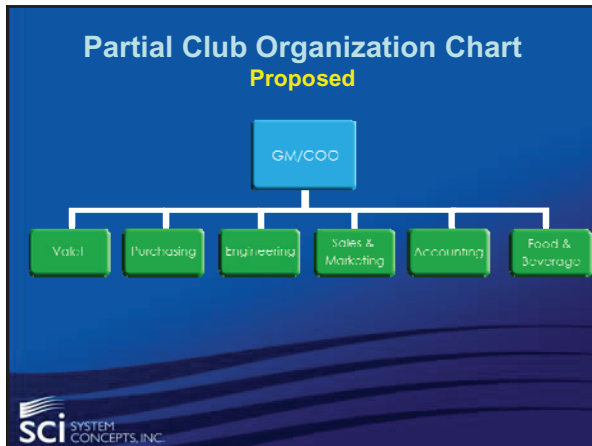
Many departments share responsibility for F&B:

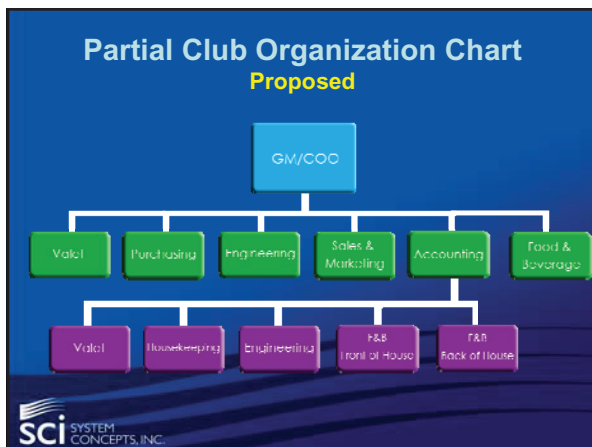
- ✓ Back of House
- ✓ Front of House
- ✓ Purchasing
- ✓ Accounting
- ✓ Marketing

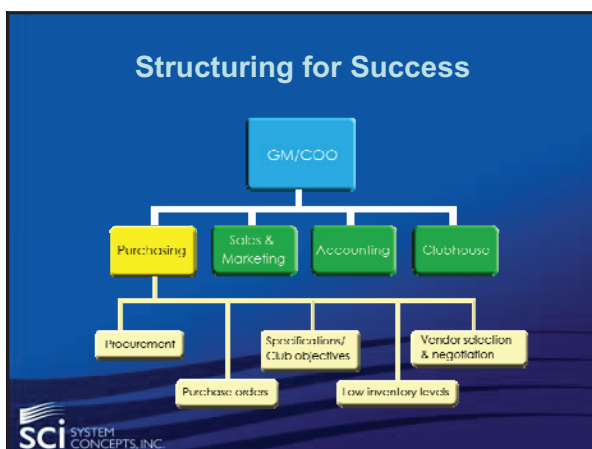


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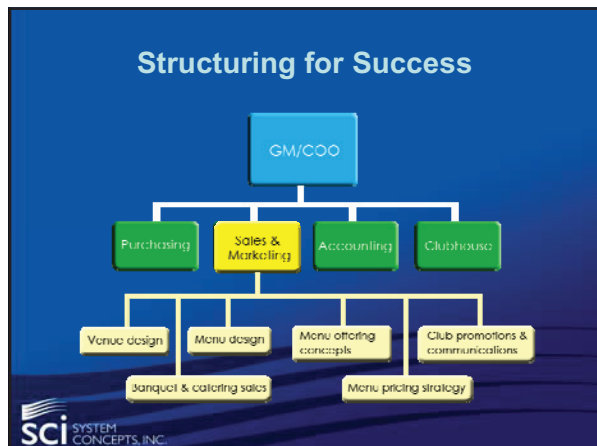
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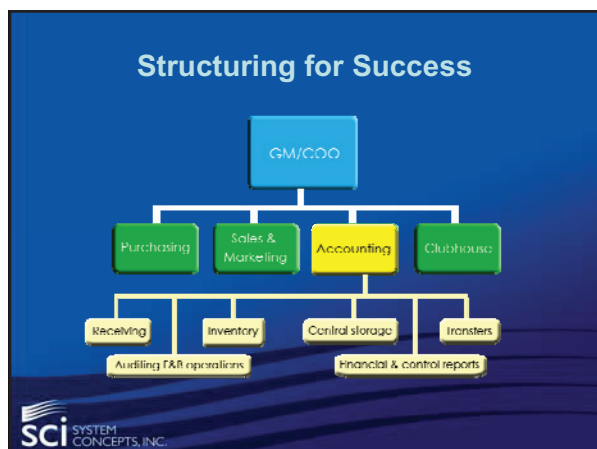


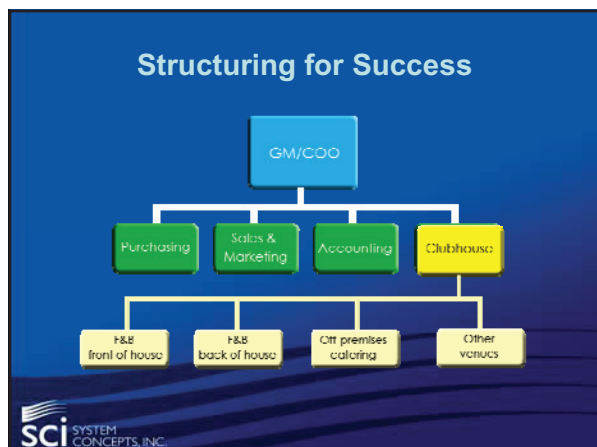




Notes:







Notes:

Bulletproofing Movement of Goods

Question: How is a Sysco truck different from a Brinks truck?

- ✓ Food is cash
- ✓ Food storage areas are cash vaults
- ✓ Food on the move is cash at risk

Focus: Secure receiving, transfers and storage



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Automation

Once the checks and balances and processes are in place, automation:

- Provides fast, item-specific management information resulting in daily control capability
- Leverages existing systems
- Eliminates the blame game
- Reduces labor costs and duplicate effort
- Reduces turmoil associated with turnover

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Critical Information for All

- Back of house:
Variance reports, fabrication analysis, waste reports, current recipe costs
- Purchasing:
Order forecasting, price history, aggregate usage, cost comparisons
- Accounting:
COGS, inventory extensions, perpetual inventory levels, transfer costs
- Marketing & Sales:
Sales analysis, menu engineering, recipe costing




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Notes:

System Integration

F&B control system should be integrated with:

- ✓ Distributor ordering system (PO out, bids in, order guides in, invoices in)
- ✓ A/P system (invoices out)
- ✓ Catering system (BEO in, sales in, recipe prices out)
- ✓ POS system (sales mix in)
- ✓ Mobile scanners (inventory, receiving, ordering, transfers)



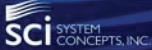
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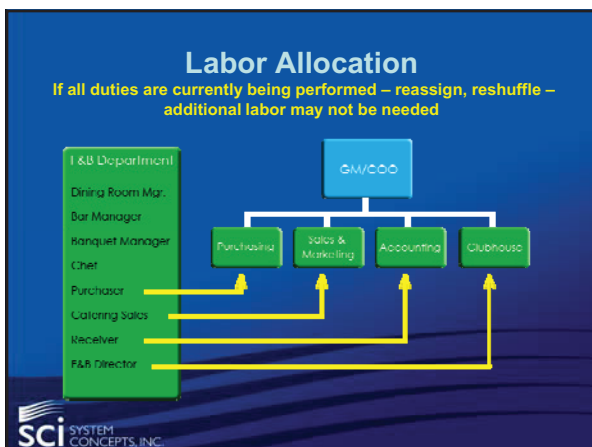
Need to Add People?

Depends...

If control processes are in place – it should be possible to reduce labor through automation

If controls processes are lacking – it may be necessary to add staff or reassign existing staff





Notes:

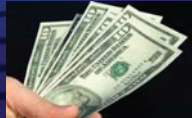
Labor Savings

- ✓ Taking eggs out of the F&B basket reduces skill and salary requirements
- ✓ Clear job descriptions, defined processes and strong measurement tools reduce training time and improve selection and retention – staff fits club approach
- ✓ Automated systems eliminate duplicate effort and reduce existing time requirements



Other Cost Savings

- ✓ Increased F&B revenues (marketing, catering) provide economies of scale
- ✓ Improved service focus (FOH) encourages more frequent return visits
- ✓ Reduced F&B variances (accounting, BOH) drive savings to bottom line
- ✓ Professional purchasing program (purchasing) lowers raw material costs
- ✓ Up to date recipe costs (automation) insure effective pricing and resulting margins



Making it Happen

Understand the Pain:

- ✓ F&B cost fluctuation is difficult to explain or fix

Be the Expert:

- ✓ Propose an integrated, phased approach – slow but sure

Get things Started:

- ✓ Introduce checks and balances
- ✓ Spread out responsibilities and goals
- ✓ Budget for automation



Get Help

- Bulletproofing consultant can help make your point and allow you to avoid the risk associated with success or failure.
- Articles can help board members and staff understand the new direction
- Peers who have implemented various bulletproofing techniques can be used as examples



Notes:

For More Information...

- Articles:
 - FOODTRAK.com
 - cmaa.org
 - Boardroommagazine.com
- Copy of today's presentation, consulting and systems information, questions or comments:
 - E-mail: bills@foodtrak.com
 - Phone: (480) 951-8011 ext 8004
 - Speaking engagements: cmaa.org/prodev/sp_guide



Section II: Supporting Articles





Food and Beverage Integration – The Solution to Club F&B Success Part I: Organizational Structure Integration

As seen in the July/August, 2008 issue of BoardRoom Magazine.

CONTROLLING FOOD AND BEVERAGE IN PRIVATE CLUB ENVIRONMENTS IS A CONSTANT STRUGGLE. CLUBS LOSE AN AVERAGE OF \$50,000 PER MILLION IN F&B SALES TO UNNECESSARY LOSSES SUCH AS THEFT, OVER-PORIONING, SPOILAGE, WASTE AND OTHER CONTROLLABLE PROBLEMS.

Much of this loss is due to the way clubs manage their food and beverage operations, and can be vastly improved by looking at three basic elements:

1. Organizational Structure
2. Physical Storage and movement of goods
3. Underlying, integrated control systems

While representing 30% of total revenue on average, food and beverage is certainly not the primary function of most private clubs. As a result, clubs don't properly integrate food and beverage into their overall operation. Instead, they compartmentalize F&B into a single department, and do little to account for or control it.

Perhaps the most popular approach to F&B control in clubs is simply firing and hiring new chefs and F&B directors.

On the other hand, understanding that everything is done for a reason in an integrated approach, and that, by definition, integrated approaches connect all the pieces together and become self-reinforcing and self-perpetuating, the benefits become obvious. Perhaps the time has finally come to turn the tables (excuse the pun) and make food and beverage one of the strongest aspects of the club business.

THE NEW ORGANIZATIONAL STRUCTURE

Club organizational structures are not ideally suited to food and beverage operations. In most cases, clubs create a food and beverage department to handle all aspects of their food and beverage business. Restaurant companies on the other hand, do not have food and beverage departments since all related functions are spread among the various departments of the company.

Emulating the restaurant industry's approach is a key component of F&B success for clubs. After all, unless the club has sleeping rooms, the clubhouse is basically a large restaurant facility.

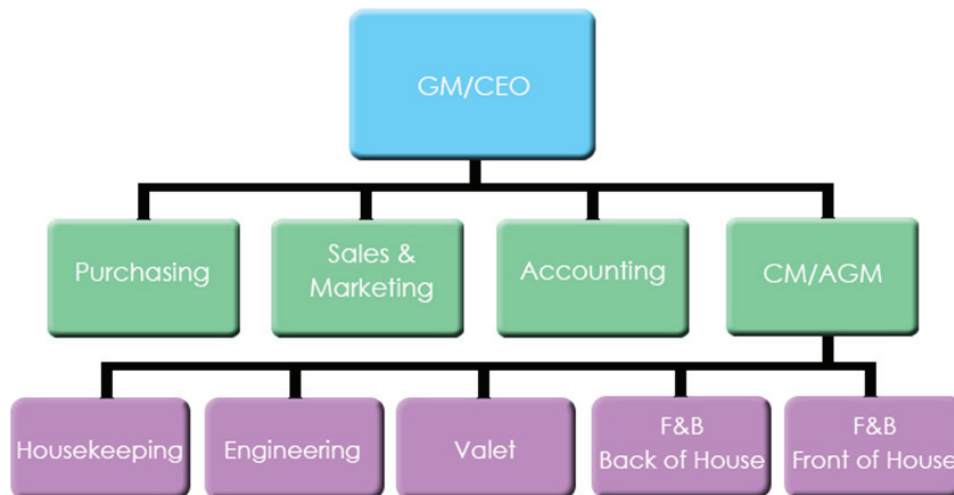
Interestingly, clubs seem to recruit F&B managers from hotels and resorts – as opposed to restaurants. Very few clubs have hotel components, yet they end up structured more like hotels than restaurants. Perhaps this is the result of hiring hotel people, rather than restaurant managers.

The following organizational chart depicts the integrated approach for F&B management in clubs. Keep in mind the structure can be applied to clubs of all sizes, does not typically require any additional labor costs, and may in fact reduce overall labor costs.

While larger clubs may need to hire individuals for each organization function, smaller clubs can multi-task individuals, assigning individuals to multiple departments. The only constraint for small clubs is they can't assign the same person to multiple tasks that defeat inter-departmental checks and balances.

The key elements of the integrated structure are the elimination of the F&B department in favor of:

- Two F&B functions – front and back of house
- The removal of purchasing responsibility from any department – making it a direct report of the GM, and
- The role of the AGM or Clubhouse manager.



There are other changes with regard to the functions and responsibilities of the marketing and accounting department as well in order to integrate F&B functions into these departments. Each area will be discussed separately to provide the more detailed overview.

F&B Department Goes Away

The biggest problem with club organizational structures is the fact it has an F&B department in the first place. By separating all aspects and controls associated with F&B into a single department, the club essentially sets up a side business with limited support and almost no outside auditing or control from other club departments.

When an F&B director or chef leaves a club structured this way, huge changes typically follow as the new director or chef tries to mold the department to his or her liking. This upheaval and stress is similar to that of a corporation changing CEOs – all because the structure itself creates a side business.

Separating F&B functions into front and back of house provides numerous advantages.

- The chef takes over back of house, and becomes responsible for everything and everyone back there.
- A dining room manager, banquet manager or someone along those lines becomes the foodservice manager, and is responsible for everything and everyone in the front.
- The person currently serving as the F&B director becomes the AGM or Clubhouse Manager. In clubs where both AGM and F&B director exist, the opportunity presents itself to consolidate that position into a single individual (who needs F&B management experience), and to use the additional funds freed up by eliminating one high-salary position to help fund the new moderate-salary foodservice manager position (front of house).

In almost no event should a club need a traditional F&B director. In very small clubs, the GM would assume the role of the F&B director as well, since there would be no AGM to assume this role, but would still have the support of the chef for back-of-house operations and the foodservice manager for front-of-house.

Purchasing Stands Alone: Every dollar of food and beverage cost, and for that matter all other items brought into the club come through a purchasing function. In some clubs, that function is very informal, and may consist of a chef calling vendors directly, or sales people entering the club to help get orders placed.

Many clubs have numerous people placing orders with vendors of all types. Purchases orders are atypical. Receiving practices are almost non-existent. And everything the club buys goes through this leaky sieve. **The basic rule is: as the number of people placing orders increases, the club's ability to control purchasing decreases.**

In fact, purchasing is such a critical function that small club GMs should perform this function themselves. It may be the only way to truly control collusion and price gouging.

In larger clubs, either an individual should be assigned to perform all purchasing, or the AGM should do it. In no event should a club allow a chef or department head to place its own orders, or to have any type of financial relationship with its vendors.

Purchasers should be responsible for all negotiation with vendors, vendor selection, and the maintenance of absolute minimum inventory levels. Purchasers should have written specs for all purchased items, and should produce purchase orders for anything ordered by the club.

Department heads forward purchase requisitions to the purchaser, who is responsible for getting the goods to the club in a timely fashion and in conformance with the specifications.

Sales and Marketing Makes It Happen: Most club sales and marketing departments are focused on membership acquisition. But in the true sense of the function, marketing should involve all aspects of the club's image. It should determine the appropriate look and feel for the club's food service outlets, it should design the menus to conform to that image and it should set the pricing based on the market it serves. The club's catering sales people should report to the marketing department – not food and beverage. The marketing department should also handle all written communications between the club and its members.

And of course, the sales and marketing should be ultimately responsible for all sales, including food and beverage. It is for this reason that the catering sales people work for the sales and marketing department. They should poll the membership and plan the social events. They should sit on the house committee to insure event consistency with club image, and help promote the events to make them successful. And in a sense, because the marketing department sets the menu and banquet pricing, it is ultimately responsible for the club's ideal F&B costs.

After all, if the marketing department prices a hamburger that costs \$5 to make at \$7.95, they can't really hold the chef responsible if the food cost comes out at 63 percent!

Accounting Steps Up: The last major change inherent with the new structure is its impact on the accounting department. Integrating F&B also means moving some of the accounting-related tasks once performed by the F&B department into the accounting department where they belong.

One obvious example is the physical inventory itself. The accounting department should be responsible for the accuracy of the physical month-end inventories, not the chef. After all, inventory is an accounting function – that's why it's called "counting" the inventory. But in many clubs, no accounting department person can be found at 3 a.m. when the inventory is being counted.

Another accounting task that's typically performed by the food and beverage folks is the receiving function. There is no better place to audit and control the club's operating costs than at the back door as trucks pull up with goods. If the stuff in these trucks was cash, instead of salmon or vodka or napkins, you can bet accounting people would be concerned. Somehow, clubs have lost sight of the fact these trucks are loaded with the club's cash. Receivers should report to accounting – not purchasing – and not food and beverage in order to maintain the proper checks and balances. Since

the purchasers are producing purchase orders under the new structure, this job becomes fairly straightforward.

Accounting should also “own” and manage central storage. Food and liquor should be stored centrally as much as possible, and transferred to outlets as needed. Until these goods leave central storage for the outlets, they should be the responsibility of the accounting department, as if the central storage areas were cash rooms. Tracked daily using a perpetual inventory approach, it should always be possible to know exactly what’s there. Since the receiver works for the accounting department, he or she can be tasked to handle central storage as well. Goods only come in with purchases, and only go out with transfers. Therefore, the accounting department becomes responsible for transfers into and out of central storage as well. Once again – transfers are accounting devices, and should therefore ultimately be the responsibility of the accounting department.

Finally, the accounting department should provide timely information for the chef in order to facilitate better ongoing inventory control. Key item variance reports that indicate if any high-cost items were overused the previous day would be very helpful to the chef. Cutting charts indicating the performance of prep and butchery personnel would be invaluable. Reports identifying quantities and costs of items thrown out the previous day would also be of significant value to the chef.

Integration Means Working Together

These and a variety of other management reports would help all the departments in their quest to better manage the food and beverage success of the club. And since the responsibilities for food and beverage success are spread out over multiple departments, they work together to solve F&B problems, as opposed to simply blaming the F&B department for everything that goes wrong.

Consider how much smaller the impact would be if the chef or the food service manager leaves under this new structure. Since their responsibility area is much more tightly defined, and other departments are involved in the various aspects of the F&B function, any single individual’s departure is far less critical. It is also far simpler to train and acclimate the new individual to his or her duties when they are tightly defined and integrated with other departments. Everyone works together to make the club successful in an integrated structure. Or, clubs could maintain the current structure and fire the F&B director or chef if things aren’t going well! Maybe the next ones will be better.

About the author: Bill Schwartz, CHTP is CEO of System Concepts, Inc. (SCI). Based in Scottsdale Arizona, SCI specializes in F&B control consulting and is the developer of the FOOD-TRAK Food and Beverage Management System, which is widely used in private clubs around the country. Bill can be reached at bills@foodtrak.com.



Integration – The Solution to Club F&B Success

Part II: Organizational Structure Proponents Speak Out

As seen in the September/October, 2008 issue of BoardRoom Magazine.

In the last issue, we looked at a new organizational structure for clubs that integrated food and beverage functions into other departments. However, there are a number of club managers and board members who are concerned that, while the approach sounds good in theory, it may not work in practice. Therefore, this article is devoted to those in the club industry that already implemented some or all aspects of the proposed new structure, and it uses their words and experiences to further clarify the benefits of this new approach.

As a personal note, I'd like to thank the Club Managers Association of Southern California, who recently sponsored the full-day CMI workshop on Bulletproofing Club F&B Operations, where many of these comments were collected. I'd also like to thank Russell Ruscigno from Olympia Fields (who did not attend the workshop) for sharing his experience with aspects of this structure.

Doing Away with the Food and Beverage Department

The first and most important structural issue dealt with placing all responsibility for F&B into a single department, thereby creating many of the problems clubs experience with food and beverage control and consistency. Eliminating the hotel-based F&B department structure in favor of the front-of-house/ back-of-house restaurant structure solves a number of these problems.

Eric Boberg, General Manager of Cota de Caza Golf and Racquet Club in Cota de Caza California agrees. "Twelve months ago, we switched from the F&B Director concept to the Front-of-House (Service Director) and Heart-of-House (Executive Chef) concept, both reporting to the AGM," said Boberg. "This structure has provided seamless leadership, improved communication and success to the overall club operation."

"The days are over where food cost is put on one manager's shoulders – namely the F&B Director or Chef," says Jeremy Samson, AGM at Big Canyon Country Club in Newport Beach, California. "It's all about the separation of power, and attacking F&B management as a group."

Russell Ruscigno, Club Manager for Olympia Fields Country Club near Chicago, Illinois moved to the new structure out of necessity. "When Olympia Fields was awarded the U.S. Open, we began to plan food service logistics for the event. It quickly became apparent that the front of house and back of house planning needed different timelines and protocols," observed Ruscigno. "From that awareness we developed the current reporting structure with both the Executive Chef and Bar & Restaurant Manager (what you call Foodservice Manager) reporting directly to me."

While the titles of the former F&B Director position vary, all three clubs moved to the new structure and found it beneficial. It is especially instructive that they all had different reasons and justifications for making the change. In all cases, these clubs either eliminated the F&B Director function, or changed it to deal only with front of house. Instead, either the AGM, Clubhouse Manager or Club Manger (all of whom had F&B management experience) assumed the overall responsibility for F&B operations.

Purchasing is Removed from the F&B Function

This structural change was based on the idea that purchasing is the source of all club operational costs, and as such should be

considered an important and separate function. While not necessarily requiring a full-time staff member (depending on the size of the club), a purchaser who does not report to accounting, the chef, or any of the operating departments is crucial to maintaining the proper checks and balances and avoiding the collusion problems that have plagued clubs since the first club opened its doors.

In many clubs, chefs are responsible for food purchasing. Perhaps surprisingly, most of the chefs attending the seminar were strong believers in moving the purchasing responsibility out of their area. "The idea of a purchasing agent scares most chefs," says David Martin, Executive Chef of the Pacific Club in Newport Beach, California. "While chefs like to be constantly in touch, the truth is if the relationship is strong between purchasing and the chef's vision, the chef has more time and availability to focus on his staff, his cooking and his members."

When Bryan Cox took over as Executive Chef at Hillcrest Country Club in Los Angeles, he immediately removed purchasing from the chef's responsibility. "The first step I took in purchasing was to systematize and eliminate the culinary control of purchasing, leaving the chef to audit quality and specifications," said Cox. "It also separated the chef from any connection to purchase-related impropriety."

Ruscigno at Olympia Fields, who previously owned restaurants himself, uses a purchaser to buy for all departments. "Our Purchasing Agent works closely with all department heads to develop specifications, approve vendors and conduct competitive bidding," added Ruscigno.

At the other end of the spectrum from Ruscigno's best-case approach of using a dedicated purchaser for all departments, some clubs actually allow vendor sales reps to help with the ordering process. This approach probably represents the worst-case scenario, and should be avoided at all costs. "Restructuring the ordering/purchasing policy – specifically removing any and all responsibility from the sales rep has significantly improved food costs and quality," says Lance Sabella, General Manager of the Lakeside Golf Club in Burbank, California. "The sales rep would formerly create the order and bring in the 'needed' product."

Catering Sales is Part of the Sales and Marketing Function

The removal of the catering sales staff from the F&B area is not the most critical aspect of the proposed structure, but proves to be worthwhile in the overall, integrated scheme of things. Many clubs don't have separate departments for sales and marketing, although they certainly have people selling and communicating club information to members. Recognizing the importance of quality communication and selling skills leads to more successful events and less F&B subsidizing due to higher catering margins.

"Sales and marketing is an opportunity, not an obstacle," says Thomas Gilbertson, CCM, General Manager of the Newport Harbor Yacht Club in Newport Beach. "The ability to deliver on the obscure requests makes the 'can do' attitude clubs subscribe to a reality." One look at Newport Harbor's web site will help convey the idea that Gilbertson's staff is focused on image and communication. The site totally avoids the cookie-cutter look of many club web sites, and instead provides significant content and photographs.

"The primary responsibility of the catering sales manager is sales," adds Olympia Fields' Ruscigno. "By temperament and tradition, chefs and F&B managers are operations-oriented, not sales oriented. That is how it should be, but in order to supervise and motivate a sales effort it is important to separate the reporting lines. Since doing that and adding a Catering Service Manager who supervises set-up and service, we have reduced labor costs and improved our service both on the floor and in our sales effort."

The Accounting Department Takes Some Responsibility

The proposed structure also expands the function of the accounting department to include responsibility for inventory, receiving, central storage, transfers and variance reporting. "Including an employee from the accounting department in the month-end inventory has improved teamwork," says Frank Cordeiro, GM and COO of the Hacienda Golf Club in La Habra Heights, California. "It's OUR inventory, not the F&B people's inventory, and the accounting staff, because of their skill set and nature of their experience, is better at recording and extending inventory."

Robert Rubino, AGM at Hillcrest Country Club is considering separating the purchasing and receiving responsibilities as described in the new approach. "I agree with separating purchasing and receiving and having each report to a different manager," says Rubino. "Purchasing would report to the GM and receiving would report to accounting."

Ruscigno from Olympia Fields has an interesting view of the central storage aspect of the structure. "Our storerooms hold significant investments – especially our wine cellar," indicates Ruscigno. "The accounting department recognizes inventory as an asset while operating staff generally do not have that view."

How will the Board React to These Changes?

In many cases, club managers do not need the blessing of the board to change the structure below them. But in most cases, boards will be interested in learning about the new approach, and may actually propose it in the first place. Big Canyon Country Club in Newport Beach, California is in the final stages of opening a new 60,000 square foot clubhouse. During the construction period, General Manager David Voorhees, CCM had a perfect opportunity to implement the new organizational structure.

“An essential aspect of the budget process for the new clubhouse involved the development of a new organizational structure,” said Voorhees. “The projected doubling of food and beverage income as a result of opening the new clubhouse demanded it. In reviewing the new organizational structure in the business plan with the Board of Directors, a few concepts resonated with them.”

“Under the traditional model that we were following, the primary responsibility for the performance of the food and beverage department was assigned to the F&B Director, making it the most demanding position in the entire club,” Voorhees continues. “The board agreed the elimination of the food and beverage department in favor of an integrated, team approach was a better idea from both a financial and member satisfaction standpoint. The board also liked the idea that with the new structure we have greater staff resources devoted to food and beverage without increasing the number of full time employees, and have positioned the newly defined Food and Beverage Director function for success – primarily the job of ensuring that every meal served results in a memorable experience in the dining room.”

“The board also welcomed the idea of expanding the role of the AGM and Controller,” said Voorhees. “They agreed that the complexities of achieving both member satisfaction and financial goals mandate that some of the club’s top staff members play a much more active role in the success of the food and beverage operation.”

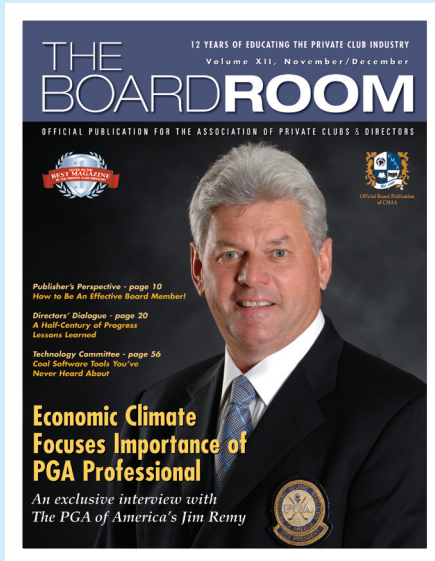
The Change Is Underway

Little by little, private club managers and boards are converting their structures from the old hotel model to the new restaurant model. Many of the larger clubs find the process easier due to the size of their staff, but even the smallest clubs can take advantage of the benefits by separating responsibilities. In many cases, this means the General Manager must take on the purchasing and F&B management role (which requires previous F&B management experience), but the lower wages required for purchasing, accounting and front of house management can generally offset the labor costs associated with more senior F&B directors, AGMs or Clubhouse Managers. In small clubs, some of these new positions may also be part-time hourly, as opposed to full time salaried.

In the end, the integrated structure will prevail, regardless of club size, and the industry will be far better served than with the current status quo. The days of the stand-alone food and beverage department are numbered.

In the next issue – integrating physical layout and the movement of goods.

About the author: Bill Schwartz, CHTP is CEO of System Concepts, Inc. (SCI). Based in Scottsdale Arizona, SCI specializes in F&B control consulting and is the developer of the FOOD-TRAK Food and Beverage Management System, which is widely used in private clubs around the country. Bill can be reached at bills@foodtrak.com.



Integration – The Solution to Club F&B Success

Part III: Inventory Storage and Control

As seen in the November/December, 2008 issue of BoardRoom Magazine.

As described in the previous two issues, bulletproofing club food and beverage operations starts with the proper organizational structure. Integration of F&B functions across multiple departments builds in the required checks and balances, spreads out the responsibility and facilitates a unified approach to success. Described in the first issue as a pyramid with organizational structure at the bottom, the next level up is the physical structure. This level deals with issues unique to the club, such as the physical location of F&B storage, and the approach to isolation, security and control of those inventory storage areas.

What's the difference between a Sysco truck and a Brinks truck?

The obvious answer would be that one holds food and the other holds cash. But if the Brinks truck has \$40,000 in cash on board, and the Sysco truck has \$40,000 worth of food, which cargo is more valuable? A fundamental key to F&B control is the ability to see food and liquor as cash – not just something we eat or drink. Imagine the Sysco truck full of cash instead of groceries. Imagine the storerooms with shelves full of cash instead of canned goods and spices. Imagine the walk-ins and freezers as refrigerated cash vaults, instead of meat and fish lockers. Given this perspective, it becomes obvious where the club is more vulnerable to loss, and where it is less vulnerable.

Adjusting the perspective from food to cash provides a variety of insights into proper control culture. We are acutely aware of the need to tightly control cash, and we have systems, receiving and handling procedures, secure storage and close accounting department oversight for cash. Food and beverage, on the other hand, is hardly controlled at all.

For most clubs, there is no F&B control system. Receiving is done by whoever might be around, or perhaps the driver just hands somebody an invoice and puts the goods away himself. There are few, if any, written procedures for receiving, storage or handling of these goods. Storage is far from secure, with almost anyone who works in the building having free access to it. And the accounting department is only involved at the end of the month, and typically just to provide the inaccurate, end-of-month food and beverage costs.

It's all a matter of perspective. If food was cash, things would be quite different. It would be a top priority to establish tight control. Systems and procedures would be in place. Accounting would play a much more significant role. And F&B costs would be much lower – perhaps 5-10% of F&B sales for most clubs. Adding extra staff to receive goods – if the goods were cash, would not be a challenge – it would be a given. And yet many club managers and boards don't see it this way. They see \$80 of cash in a server's hands as more important to control than \$80 of tenderloin in a cook's hands.

As an aside – they also see an \$80 bottle of wine as more worthy of control than the \$80 tenderloin. For some strange reason, liquor seems more important to control than food. It's typically locked up, while food is everywhere and never secured. Again the perception is the problem, since \$80 is \$80. Thinking of food and beverage as cash helps level the playing field and facilitates logical decisions about controls and control priorities.

If food was cash, who would be responsible for keeping track of it?

The accounting department would almost certainly be the logical choice for safeguarding the club's food and beverage inventory if it was cash. Of course, some of the inventory (cash) is in production (circulation), and therefore difficult to control. On the other hand, some is not. Depending upon the size of the club, and the extent of its liquor and wine inventory, varying amounts of inventory may be kept in storage for eventual use. Most clubs have more than 30 days of liquor and wine in stock, and many have significant amounts of non-perishable food items in their inventory.

Both issues – who should be responsible, and how should inventory be controlled – can be addressed with the concept of central storage. Central storage is not necessarily one large room where all goods are stockpiled prior to distribution to outlets. It can be multiple small rooms or even areas cordoned off inside walk-ins or freezers. The key is that items in central storage belong to and are the responsibility of the accounting department and are moved in and out using purchases and transfers. This approach makes these items controllable.

Most clubs already have a liquor storage room, which is one component of central storage. Because of the perception that liquor is valuable and somehow more prone to theft, it is typically locked up in a special storeroom. Broadening the perception to acknowledge that food is every bit as valuable and prone to loss as liquor, it would make sense to isolate non-liquor items as well if possible.

The objective is to have as much inventory in central storage, and as little in the outlets as possible. There is a direct relationship between the amount of F&B loss and the ability to control storage and distribution of that inventory. Using the cash example, think of all the places where cash (formerly considered food) is stored in the clubhouse. Food and other inventoried items are scattered all over the place. This would be totally unacceptable if food was cash.

Central storage acts exactly like a cash vault. It is secured, there is limited access, movement in and out is controlled through purchases and transfers, and it is staffed and managed by the accounting department. Whether there is one room or many is simply a function of the facility's layout.

Controlling Central Storage

Since goods in central storage are not involved in production, it is fairly easy to track them using a perpetual inventory approach. Perpetual inventory is simply a function of adding to inventory as items move into central storage and subtracting as they move out. Goods typically move in through purchases and out through transfers. Using this approach makes it possible to know exactly how much of any given item should be on the shelves at any time. If, upon inspection the quantity is different from that determined by the perpetual inventory, a problem exists. Only this time, instead of looking at a percentage at the end of the month and trying to figure out what caused the number to be unfavorable, we know on a daily basis exactly which item is a problem and exactly how significant the problem is.

Perpetual inventories can be easily calculated using spreadsheets, or even more easily with inventory control systems. Given the fact no recipes, yields or sales are involved, this type of inventory is the easiest to track. In addition, since the central storage goods are "owned" by the accounting department, the chef can focus on food in production – which is far more volatile and difficult to control. Controlling food in production takes special skills, and chefs are trained in this process.

Control Integrates with Organizational Structure

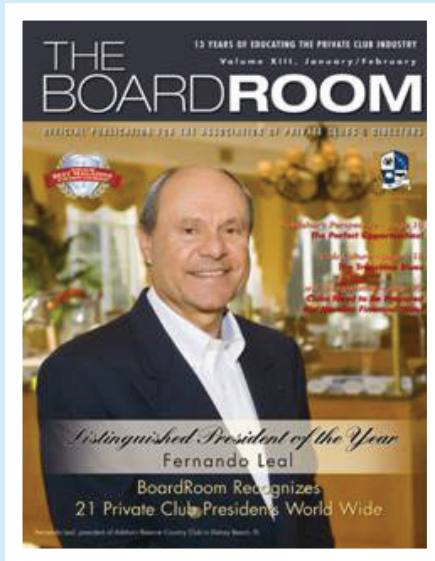
Notice how central storage control dovetails into the new organizational structure. Accounting personnel are responsible for receiving and transfers. They staff for receiving and central storage control on a part-time (4 hours per day) basis – minimizing labor costs while managing critical audit and asset management functions. They provide purchasing with up-to-the-minute inventory levels in central storage making it possible to order more efficiently. And they inventory the central storage area themselves.

Finally, the central storage area can be secured. Like any other cash vault, these areas should be locked, and keys should not be readily available outside the accounting department. Cameras can be installed, and procedures developed for allowing limited access in case of emergency when no staff members are available to handle the transfers.

A side benefit of the limited hours for central storage operation is the need for careful forecasting and requisitioning on a daily basis. By limiting central storage staff hours, chefs and other F&B personnel will need to keep track of their kitchen and outlet inventory and requisition what they need for the next day's production in advance. This planning process also aides the purchasing function and helps streamline the F&B operation.

The central storage approach, when managed by the accounting department is a major check and balance for club foodservice, and could be responsible for reducing F&B variances by as much as half of their previous levels. On the average, this could translate to \$30,000 per million dollars in F&B revenue. Clubs doing the average of \$1.5 million in annual F&B revenue will save approximately \$45,000 each year by implementing this approach, more than enough to pay for the part-time labor to adequately staff the function.

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Integration – The Solution to Club F&B Success

Part IV: Controlling Goods on the Move

As seen in the January/February, 2009 issue of BoardRoom Magazine.

The previous three issues focused on organizational structure and the physical storage of goods. The F&B bulletproofing process presented to this point has dealt with the fundamental issues of integrating F&B functions into the entire club organizational structure, and the secure storage of goods – thinking of food and beverage inventory as cash. These are the two lowest levels of the bulletproofing pyramid. Once this foundation has been laid, it is possible to build on the next level – tracking and securing the movement of goods.

The third level of the bulletproofing pyramid implements additional F&B cost control by setting up defined processes for all legitimate movement of goods, and developing tracking approaches to determine the effectiveness of each of these processes. The major events causing movement of goods are as follows:

1. Receipt of goods from distributors
2. Return of goods to distributors
3. Transfers between stock and production locations
4. Transfers between stock or production facilities to legitimate points of consumption
5. Transfers from production or stock locations to waste
6. Theft from production or stock locations

This article will deal with the first five issues, leaving the theft issue for another time. While theft is significant, many clubs have developed policies and tracking procedures to deal with it. These other issues are less likely to have formal processes and tracking procedures, and will therefore be addressed in this article. It is important to note, however, that theft is the second largest F&B loss problem for clubs, and should not be taken lightly.

Controlling Receipts and Returns From Distributors

As discussed in previous articles in this series, the receiving function should be performed by accounting personnel, and treated as an audit function. Careful examination of quantities, quality and prices against a purchase order are necessary to avoid invoice or delivery-related theft. Assuming that to be the case, the next step is to secure the goods as they move from the dock to the storage areas.

A number of policies and processes can be implemented in this regard. First, truck drivers or other delivery personnel should never be allowed in the building unescorted. Unless necessary, drivers should not assist in putting goods away. Additional security can be gained through the use of cameras at the back door, and security bars that set off an alarm if opened. Once the goods have been received, they should be put away immediately. Items left sitting near the back door are more likely to be stolen, or perhaps used out of sequence or without executing transfers. All outbound goods (going back to the distributor) such as empty kegs, stale bread, or simply items that were not ordered in the first place should be checked before they leave the building, and placed by the back door – away from other club inventory.

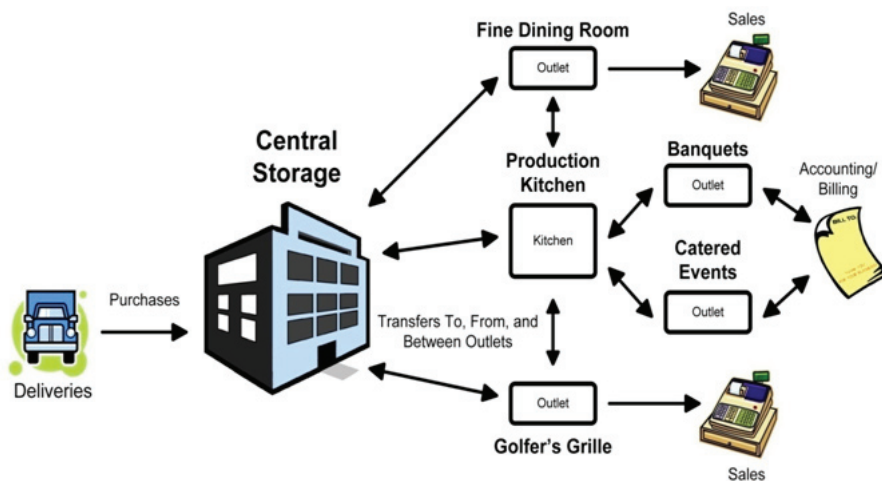
Tracking procedures to insure the security functions are operating properly include auditing invoices to determine if enough corrections have been made to insure proper receiving. At least 10% of incoming F&B invoices should have corrections if receiving is properly performed. Occasional monitoring of the security cameras to determine if proper receiving and storage procedures are being followed helps reinforce the policies. Running perpetual inventory reports on central storage areas along with random spot checks to determine the validity of the inventory levels as reported also helps maintain the proper level of security.

Controlling Transfers Between Locations

Goods moving between storage locations and kitchens, banquet facilities and remote outlets are especially susceptible to theft. This is particularly true if the recipient is unaware of the amount being transferred, or if the recipient is removing and transferring the goods personally. In many cases, goods moving between locations are out of sight from management personnel, and may pass many places where items could be squirreled away unnoticed for later retrieval.

Processes for securing the movement of goods involve formal transfer and requisition documents, and separation of duties between those requesting and those transferring. This is typically possible for transfers between central storage and outlets, since under the bulletproofing structure, the accounting department controls the transfers in and out of central storage areas. However transfers between the kitchen and outlets may not be subject to the same rules if they belong to the same profit center. In those cases, care should be taken to insure the outlet requesting the goods is hand-delivered the goods it requested by personnel from the sending location. That way, both sides are aware of the transfer, as opposed to an outlet simply walking into the kitchen and taking what they need.

Tracking procedures include auditing of transfer activity and comparing the requests to sales in the outlets to insure they were needed. Spot checks should be taken of outlet inventory to determine whether transferred goods actually remain in stock at the outlet, allowing for depletion through sales activity. Transfer and requisition forms should be audited for completion method – helping to reinforce the proper completion of the forms. Individual participant names should be included on any transfer document, so they can be held responsible for individual transfers.



Controlling Waste

Waste represents the third-largest source of loss for club F&B operations (behind receiving and theft). Waste is the result of spoilage (ordering too much), overproduction (poor forecasting) and over-trimming raw items such as produce and meats. Most waste goes into something dark, like a drain or trash can, and is therefore out of sight and out of mind. The bulletproofing concept uses the "you can't manage what you can't see" principle as a guide for proper control and tracking.

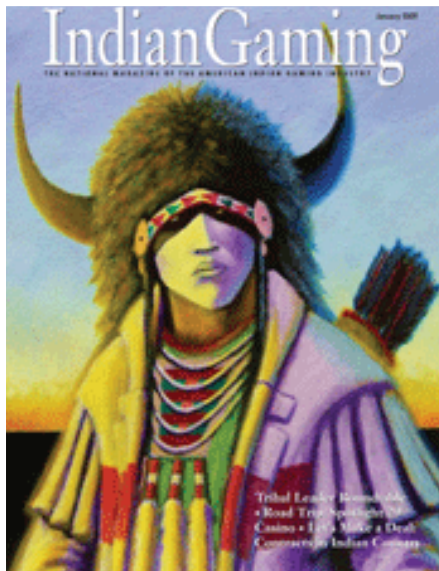
Processes for controlling waste include setting guidelines for proper forecasting. A focus on forecasting techniques and procedures goes a long way toward reducing overproduction. Tasking the purchaser with ordering as little as possible, approving the ordering of split cases, and mandating lowest possible inventory levels based on order frequency are among the more successful approaches to waste avoidance. In the kitchen, a focus on getting maximum yield as opposed to maximum production speed for prep cooks and fabricators is advisable. Clear trash bags hanging from frames are preferable to opaque trash cans.

Tracking procedures for waste include formal waste sheets, which are completed by kitchen personnel anytime they throw things out and valued by the accounting department to determine waste cost on a daily or weekly basis. Providing the purchaser with this information helps with order forecasting, and the chef can use the information to better manage prep personnel and forecast appropriate batch sizes and pre-prep levels. Fabrication forms provided by accounting to people who cut meats and fish allows for comparison between ideal and actual yields and objective performance evaluation.

Next Step: Automation

Once the proper organizational structure, processes, checks and balances, and tracking mechanisms are in place, it becomes possible to consider automation. While an automated F&B management system will not control food and beverage costs, it will help reduce the labor cost associated with control and facilitate ongoing success of the approach. Clubs who attempt to automate without first developing a strong control culture are doomed to fail. In the next issue, we will discuss the automation process, and how it builds on this new structure and approach to make the bulletproofing approach cost-effective and immune to personnel changes. Stay tuned!

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Bulletproof Your F&B Operation

Part III: F&B Automation – Top of the Pyramid

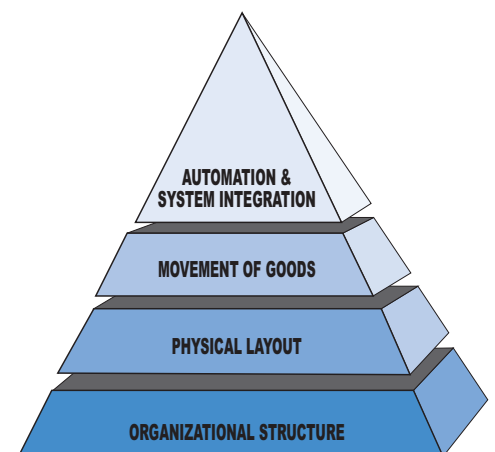
As seen in the January, 2009 issue of Indian Gaming Magazine.

Parts one and two of this series described the bulletproofing approach used to implement a more integrated organizational structure where the food and beverage department and its responsibilities are spread among a variety of other departments. The series went on to describe the process used to control the movement of goods throughout the organization. Once these foundation levels of the bulletproofing pyramid are in place, it is possible to consider automating food and beverage controls and integrating the automated system with other systems in the casino. It is important to note that food and beverage control is a culture, and cannot be purchased. However, once that culture is in place, food and beverage reporting and data collection can be automated, and the resulting labor savings can be significant.

Continuing the Integration Model

Integrating F&B functions across multiple departments is key to the success of the “Bulletproof” operation model we have discussed in previous issues. Automation is no exception to this rule. In fact, stand-alone inventory control systems are probably more harmful than useful. Chefs who purchase recipe systems with some inventory capability, or other inexpensive approaches to solving individual F&B problems are in many cases creating additional work and duplicate effort.

For example, if the recipe system is not integrated with the purchasing function, recipe costs must be updated by manually entering the current purchase price of raw materials. And if the chef is the person doing the data entry, not only is this automated solution inefficient, it is also very expensive. Consider the chef’s labor cost, along with the fact nobody is managing the kitchen while the chef enters food prices or recipe information. This lack of integration actually ends up costing more than it can possibly save in time or money.



Automated F&B systems MUST integrate with other existing systems to be truly useful. Purchase transactions must update the Accounts Payable system. Orders must be able to be transmitted to vendors electronically. Catering BEO’s must be able to feed to forecasting models of the inventory system. Handheld scanners must be able to send and receive data to and from the inventory system. Transfer transactions must be able to update the general ledger. Point of Sale systems must be able to send data to the inventory system in order to update perpetual inventories and calculate ideal usage and menu performance. And the inventory

system must be able to update recipe costs continuously and send them to the catering system so catering salespeople can properly mark up the events.

This type of integration is no different or less important than the integration of F&B functions into other departments such as marketing, purchasing and accounting. In both cases, integration allows functions to be performed by the department or system best suited to those functions. Any other approach results in duplication of effort at best, or worse – loss of control. Integrated systems also lend themselves to permanence, where stand-alone approaches rely too heavily on individuals who may leave and thereby disrupt the orderly flow of information and control.

What gets automated?

Food and beverage control systems primarily affect inventory, purchasing and receiving, transfer and requisition and sales collection functions. Properly implemented, a food and beverage system eliminates significant amounts of data entry and perhaps the majority of all spreadsheets currently in use. Consider the following example of an automated casino F&B environment:

As the day begins, the system is used to forecast order quantities. The resulting shopping list is modified by the purchaser and then automatically processed into a variety of purchase orders. The purchase orders are transmitted electronically to the major vendors, and e-mailed or faxed to the smaller vendors. The purchase orders are then exported to handheld scanning devices at the receiving dock. As the goods arrive, receivers scan the goods and compare them to the purchase order. Once the goods have been received in the purchase order reconciled, the system distributes the goods to the appropriate general ledger accounts and transmits the data to the accounts payable system.

During the day, various departments enter requisitions using prebuilt requisition templates appropriate to their department. Central storage attendants fill the requisitions which the system then converts to transfers and performs costing and extension. Transfers are automatically assigned to general ledger accounts and transferred to the general ledger system. As purchases and transfers take place during the day, costs and location quantities are automatically updated.

At the end of the day sales mix information is imported from the point of sale systems and the data is used to generate perpetual inventory and usage variance reports. Other types of data can be entered during the day, including production information, waste information, spot inventories and database updates such as new recipes, new items and other related information. System is also used to generate fabrication tracking and waste tracking reports on a daily basis which can be used by the chef to monitor and control kitchen staff. The system also integrates with the casinos catering system, sending updated recipe cost information to the catering sales people and importing banquet event orders from the catering system to be used for forecasting and production planning.

At the end of the period, the handheld scanners are used to take the physical inventory at which time the system extends the inventory and creates cost of goods, usage, variance and other useful reports.

Who Gets What?

Once again, integration provides the solution. Different departments get different reports, and each maintains a degree of responsibility for the successful F&B operation. For example, the marketing department would get Sales Analysis and Menu Engineering reports, enabling them to make better decisions about the menu and the effects of promotional campaigns. The catering sales force gets updated recipe costs and Red Flag reports indicating which products are getting expensive or cheaper due to food and liquor price changes.

The purchaser gets Perpetual Inventory reports, forecasts for reorders, and inventory turnover information. Purchase History and Price History reports enable better evaluation of trends and vendor relationships. Using this information, purchasers order smarter and keep inventory levels lower. They can also monitor their vendors' adherence to negotiated pricing and rebate programs. Bid Comparison reports help insure the casino is buying at the best prices as well.

The accounting department gets Purchase Transaction data, Transfer Costs, Inventory Extensions and Cost of Goods Reports. By collecting production, fabrication and waste data, the accounting department can provide detailed analysis for the chef about the cost of overproduction, waste and employee performance when cutting meats and fish. They also get Perpetual Inventory and variance information to allow them to monitor and control central storage.

And of course, the chef gets Inventory Variance information, allowing much tighter control over portioning, waste, theft and spoilage. Numerous other reports are available to the chef and other departments that can be extremely valuable, and because the system is integrated and requires no duplicate data entry, all these reports are available at the lowest possible labor cost – far lower than that associated with the current spreadsheets, stand-alone systems and other less efficient approaches.

Implementation is the Key

Of course, all this is possible because – and only because – professionals who understand the entire process are the ones who implement the system. Few and far between, these specialists are in high demand and aren't cheap to get. In fact, their labor component is much larger than the software license fees associated with automation. All told, the typical casino will spend \$50,000 or more for the project. On the other hand, a 2% reduction in F&B costs will typically pay for the entire project. For casinos with \$2.5 million in F&B revenue, that means payback within the first year. And even without the speedy payback, wouldn't it be nice just to have the peace of mind that the F&B operation is bulletproof, and much easier to manage and control than it used to be?

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Reducing Food and Beverage Costs through Inventory Control

Part VI: Making the Case for Food and Beverage Management Technology

As seen in the Sept/Oct, 2006 issue of Boardroom Magazine.

Clubs have never been afraid to invest in technology, with the possible exception of food and beverage management. Lighting and sound systems, computer-based accounting systems, kitchen equipment, beverage guns, tee time reservation systems, course maintenance equipment and even member web sites have been widely adopted by private clubs everywhere. But many clubs have yet to implement, or even explore the benefits of food and beverage management technology.

While some of the larger, more prominent clubs have invested in F&B system technology, various perceptions have caused the majority of private clubs to either drag their feet or fail to even consider moving in that direction. These perceptions can be summarized as follows:

1. Cost is prohibitive.
2. Too much work and not enough people to do it.
3. Club is too small to make the investment pay off.
4. Existing systems provide all the needed information.

The first step toward pulling the trigger on an F&B system is understanding the benefits of such a system, and its impact on the club. Of course, as with most systems, saving time and saving money are the two primary benefits. But many other, less obvious benefits accrue when implementing systems of this type as well:

1. Increased sense of security, knowing it is far more difficult for vendors or employees to steal from the club.
2. Bidding between suppliers results in lower purchasing costs
3. Standardized control and accounting approach facilitates faster training of seasonal staff
4. Integration of point of sale, distributor ordering, accounts payable, catering and inventory systems reduces potential for inaccuracy and financial statement turnaround time
5. Club management can react instantly to control problems, instead of waiting for financial results at end of month
6. Availability of menu item popularity and profitability aid better menu planning
7. Instant access to current costs makes it possible to price catered events properly to achieve the desired margins
8. Lower F&B costs lead to lower F&B subsidies, allowing the funds to be used elsewhere in the club

These types of benefits may be more difficult to quantify, and therefore are harder to use to justify the decision to invest in a system. But time and cost savings are more easily quantified, and help define the conservative breakeven points for board members when considering this type of solution.

Time Savings

Time savings come mainly by eliminating associated clerical work and redundant or duplicate data entry. For example, systems eliminate the need to distribute invoices to G/L accounts, extend inventories, and calculate transfer costs for accounting purposes. They also save time by providing the ability to place orders electronically with major suppliers, enter invoices into accounts payable, cost out recipes, buffets, banquets and catering events and calculate key item variances. Using hand-held scanners, these systems also reduce the time required to take inventory, in some cases by more than 50%, and eliminate the need to type the inventory values into spreadsheets after counting it.

Time ROI Calculations: Annual savings = \$33,735/yr:

1. Invoice coding 5 hours/week = 260 hours/year. Invoice entry into accounting system at 2 hours/day = 520 hours/yr. Transfer costing 5 hours/week = 260 hours/year. Main menu recipe costing 20 hours/quarter = 80 hours/yr, banquet costing 4 hours/week = 208 hours/year. Total hours = 1328 at average wage of \$15/hr = \$19,920/yr.
2. Forecasting order quantities, speaking with distributors to compare pricing, speaking with distributors to place orders, typing purchase orders for receiving personnel = 3 hours per day. Assuming 75% reduction in associated time through use of the system, 585 hours/yr at \$15/hr = \$8,775/yr.
3. Inventory time for 2 people, 8 hours per month = 192 hours/yr at 50% time savings using hand-held scanner = 96 hours/yr. Inventory entry and adjustments into spreadsheet from forms at 8 hours per month = 96 hours/yr. Determination of correct inventory value for inventory extension at 12 hours per month = 144 hours. Total hours = 336 hours at average wage of \$15/hr = \$5,040/yr.

Cost Savings

Cost savings come primarily from the purchasing area, secondarily from tighter inventory control, and through reduction in overall inventory levels through better forecasting. On the purchasing side, the ability to compare bids between competing distributors typically results in lowest possible prices for all purchased goods. The ability to generate purchase orders with specifications, quantities and quoted prices provides savings through better receiving practices. Goods priced higher than quoted, quantities higher than ordered, substitutions and even goods not originally ordered are caught at the door, before they negatively impact food and beverage costs.

Tracking central storage using a perpetual inventory approach provides the ability to know exactly how much of each item should be on the shelf at any given time. Any variance between the system's estimate of current quantity on hand and actual quantities on hand points out immediate problems. Daily tracking of key items such as expensive meats and seafood products once they leave central storage helps reduce the possibility they are stolen or otherwise misused.

Cost ROI Calculations: Annual savings = \$40,000/yr per \$1 million of F&B revenue:

1. Reduce purchase costs by bidding between vendors and tightening receiving practices using purchase orders. Estimated savings of 2% of total F&B sales = \$1 million at 2% = \$20,000/yr.
2. Reduce losses due to purveyor and employee theft by isolating and automating processes in central storage and implementing real-time perpetual inventory to track all materials in and out. Estimated savings of 1% of total F&B sales = \$1 million at 1% = \$10,000/yr.
3. Reduce losses due to theft, over portioning and waste associated with key items. Estimated savings of .5% of total F&B sales = \$1 million at .5% = \$5,000/yr.
4. Improve cash flow by reducing inventory levels. Estimate 10% reduction in inventory based on F&B inventory value of \$50,000 = \$5,000/yr.

To Status Quo, or Not to Status Quo – That is the Question

The cost for capable inventory systems, including the cost of implementation is typically less than \$70,000 for most clubs. Given the return on investment values in excess of \$70,000/yr for clubs with F&B revenues as low as \$1,000,000 annually, it seems prudent to consider system acquisition. But what about time required to implement and manpower requirements over and above current levels?

There is no question the investment in technology requires some time and effort from an implementation standpoint. Significant professional services are required to implement these systems, since many types of data must be entered and connected together. Group structures, accounting information, vendor IDs, bar codes, recipes, unit sizes and yields are a few of the many database construction challenges.

If the developer provides a turnkey approach, many of these issues go away. A clearly presented turnkey approach can result in speedy, relatively hassle-free implementation, since the software company's experts do all the work. Once the system is in place, only the subsequent training aspects and ongoing maintenance tasks require staff time. The net result should be a significant reduction in time and effort required to operate the club from this standpoint.

Maintaining the status quo also maintains the current costs. Significant savings can only be realized through informed action. Perhaps the time has come to bring the food and beverage department's technology level up to that of the rest of the club. Done correctly, the money budgeted for the technology and implementation will end up back in the bank before a year goes by. After that, it's all gravy!

About the author: Bill Schwartz is president of System Concepts, Inc. (SCI). Based in Scottsdale Arizona, SCI is the developer of the FOOD-TRAK Food and Beverage Management System, which is widely used in private club operations around the country.