



How to Make Casino Food and Beverage Operations More Profitable

by Craig Pendleton

One of the greatest challenges for most casino food and beverage operators is low profit from food and beverage operations. This area has some of the greatest impact on the department success and bottom line profit. Restaurants have a small margin of profit. This is primarily due to:

- **The customer's knowledge of the retail price of food and beverage ingredients.** This limits how much items can be marked up when pricing menus. Many customers believe that restaurants are able to purchase food and beverage ingredients at a much lower cost than the public must pay for the same items in a supermarket or store. The majority of the time restaurants actually pay the same or higher prices due to the cost of higher quality products and the cost of delivery.
- **Menu pricing from competitors.** The cost of goods typically runs between 25-50 % on different menu items. Certain items such as breakfasts, desserts, appetizers and liquor can be marked up with the largest margins, while other items, especially meats, seafood and bottled beverages (such as beer and wine), often have very low margins.
- **Consumers rarely understand the true cost of labor.** There is an additional burden on operators to pay for the costs of staff benefits include: insurance, taxes, paid time off, training, vacations, etc. These costs may reflect an additional 40% cost over the regular hourly rate or salaried wages. \$10 per hour can actually cost the operator \$14 per hour after the cost of benefits.
- **The costs of rent, supplies, utilities, and waste disposal continue to increase.** Casino guests are usually not aware of these rising costs.

The profit of a restaurant is an elusive target with a multitude of areas to manage. Despite managing all areas perfectly a failure in just one area can reduce or eliminate the total profit of an outlet.

Success or failure to achieve desired levels of profit is calculated by comparing the variance between actual profit figures and budgeted figures, and successful cost control measured by comparing the difference between calculated theoretical (ideal) costs and actual costs.

The following are key areas to observe, inspect and analyze when seeking improvements and steps to perform.

Who Should Inspect?

Parties outside of the food and beverage outlets should be inspecting. Have managers and chefs from different outlets observe and inspect the operations. Observations will be better if the inspectors are unfamiliar with the outlet's daily operations. These inspectors will not have any pre-conceived ideas of standard operational practices and as such will have a great viewpoint to pick up on inefficiencies that have become part of the landscape for regular staff. Food and beverage supervisors from the outlet being inspected must serve the role of demonstrators of current practices during the inspection, not practice analyzers.

Outlet/Department Operations

Observe daily operational practices from the time guests arrive at the outlet to the time they leave. Do the steps make sense; are they efficient, do they follow casino guest service standards? How does the process make the guests and staff members feel? What seems inefficient? What could be improved? The questions the inspectors ask will require explanations of why, who, and how that point out the soundness of operational practices in effect.

Systems and Controls

Production – Are there active production lists with pars directing the prep staff? Are these followed and do they insure the freshness of products and the reduction of waste? Are the pars adjusted periodically based upon business volumes?

Procedure and priorities – Are there standard procedures and an order of priorities for each staff member's actions? Are all prepared items labeled, dated and rotated? Is there a "product leftovers" to "product utilization" production process in use?

Real-Time Control Tools Currently in Use

Transfers – Are all transfers of products documented? Are the HACCCP controls in place and documented?

Recipes – Are recipes of all items documented, in use and accurately followed? Are all ingredients measured and weighed?

Yields – Are trim yields followed? Are recipe yields inspected periodically? Are roasting and carving yields followed? Have yield targets been established? Is the staff aware of their individual yield results on a continuous basis?

Quality control – Are quality control checklists followed at each time period? Are shelf lives and holding lives established, documented and followed?

Menu Engineering and Pricing Currently in Use and Efficiencies of Menu Items

Menu engineering – Are recipes and specials costed out with current pricing and yields? Are the recipe prices constantly updated with the ingredient cost changes? Is menu engineering actively in practice when creating new menus and during the creation of specials and promotions to promote selling the most profitable items for the outlet?

Product usage – Are single use ingredients minimized?

Labor Systems

Scheduling – Are schedules built using staffing templates for each sales level and matched to projected sales? Are scheduling managers given projected sales figures, by day, to use when building schedules?

Real-time labor tracking – Is there a daily labor flash report in use that lets supervisors know under and overspending of labor compared to projected use in a user friendly format that allows daily corrections to get back on track before the end of each week?

Efficiency in steps and process flow – Observe each staff member in their actions and productivity. Is each workstation efficient? Does everything flow in an organized direction? How many steps does it take to perform job duties? Are servers pre-bussing tables? Are the staff's hands full when traveling to and from the kitchen and dishstation? Are there opportunities to adjust locations of supplies or services to reduce the amount of steps of service and re-stock? Are the kitchen station production items evenly distributed on the menu? Is the kitchen expeditor station well organized to avoid crossover and staff interference?

Communication – Is the method of communication efficient between staff members? Is a server call system in use?

Technology – Are the server POS stations handheld or close to each server's station? Is a table control system in use for seating and turning tables efficiently? Are the steps to enter menu items into the POS efficient without excessive key strokes and multiple screen shifts? Is an automated system in use to measure guest seating and alert management when it is time to reduce staffing?

Staff Training Systems

Are training systems in place for onboarding of all staff members including checklists and testing? Is each trainee paired personally with a trainer who is responsible for the pace and success of training along with the retention of new staff? Is there a continuing training and development program in place for all staff members and supervisors?

Utility Use Efficiencies

Devices – Are water saving devices in use? All appliances energy star rated? Are the greatest energy use appliances

upgraded to more efficient models when replacing them (i.e. variable speed exhaust fans, heat capture deep fryers, low-cycle dishwashers)?

Water treatment – Are water filters used in place of a full reverse osmosis system if the costs are lower when ground water must be treated for ice machines, potable use and beverages?

Preventive maintenance – Are all refrigeration devices current on scheduled preventative maintenance including condenser/coil cleaning and gasket replacement?

Scheduled use – Are appliances being operated on a schedule for turning on and off as well as a system in place for reduction of appliances used when volumes are slow?

Waste Controls

Logs and tracking – Are wastage logs in use and actively completed? Are wastage logs costed out each week and are patterns of loss addressed immediately?

Stations – Are waste bins in use at prep stations and inspected?

Security of Products and Resources

Physical controls – Are all high dollar products under locked and secured storage?

Tracking – Are these items counted and tracked at opening, mid-shift and closing? Is item movement and use documented? Are all steaks and high cost entrée items tracked via a "steak count/issue control sheet" with the use reconciled against actual POS sales amounts?

Monitoring – Does surveillance monitor cameras in all food and beverage storage and production areas? Are supervisors contacted by surveillance to verify concerns?

Receiving, Product Movement Efficiencies and Safety

Processes – Are the processes of purchasing, bidding, ordering, receiving, and transferring of products automated? Are all products received dated by manufacturer and re-dated upon storage by the casino receivers/stockers/stewards?

Technology – Which processes are automated? Are scanners used for inventories, receiving, transfers, and product on hand counts?

Safety – Are critical temperatures being protected and HACCP procedures followed during receiving by staggering deliveries and transfers? Are the physical processes safe for the staff?

Current System for Purchasing, Rebates, Vendors, Bids, Contracts

Automation and technology – Are purchases made using a bid/purchase system to generate best price purchase orders?

Contracts, Agreements and Rebates – Is there a prime vendor agreement in place? If a prime vendor is in use, is there a GPO rebate system in place? Is there an additional rebate system in place?

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Vendor participation – Has a third party assessed the active role each vendor plays for the casino to fully utilize all available vendor resources and services including forecasting, long-term purchasing protections and training? Is the casino utilizing available technology provided by vendors for purchasing, tracking product movement, recipe costing and reports?

Additional Overhead Expense Areas

(Trash disposal, linen/laundry, bulk oil/CO2, supplies, outside services)

Bids and contracts – Are all additional services bid and contracted? Is linen/laundry bid and contracted on a regular basis? Do linen contracts eliminate or minimize “loss charges”? Are supplies and outside services bid on a regular basis with strict standards and guidelines of performance?

Bulk purchasing systems – Is the casino using bulk purchasing of cooking oils and CO2/nitrogen?

Waste disposal systems – Is an internal composting system in use to reduce trash disposal by 75%? Is a recycling system in place?

Next Steps

Operators should complete the analysis of suggested areas. The list is virtually endless of additional items that can impact profits. Attention to the recommended items will capture most opportunities. ♣

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