



by Craig Pendleton

Opening a New Restaurant or F&B Outlet

There is a structured process that successful operators follow when building new restaurants or remodeling existing outlets. There are numerous questions and considerations required when planning the project that determine the level of success.

Purpose and Goals

What is the purpose of the new or re-concepted casino restaurant? Will it be an amenity or a profit center? How many guests will be served? Will it fit the goals of F&B by supporting marketing and gaming play by:

- creating tribal casino visitation;
- increasing frequency of casino visits;
- increasing duration of casino stay;
- providing an amenity of reward for casino players;
- creating loyalty and advocates of casino players;
- providing a great experience for the players, the majority of whom will statistically will leave money at the casino during their visit;
- potential to generate positive net cash flow as a profit center.

How will these goals and the accomplishment of these goals be measured? A large number of tribal casinos are not located within close proximity to large towns or cities. If the casino does not have lodging or if there isn't third party owned lodging nearby, the marketing plan will typically be directed towards day trips and not require a large diversity of food and beverage offerings. In a casino resort setting, a selection of different outlet types may be needed to provide a variety of offerings for the player/guests when trying to turn their visits into multiple-day stays on property. Both of these situations require a different set of considerations when planning a new restaurant.

Conceptual

What is the type and size of restaurant that will fulfill the purpose? Is the restaurant being created to fit the needs of the player or the vision of the casino management?

Often new restaurants may not fit the needs or desires of the players and experience low volumes costing the casino considerable unjustified costs when missing the mark. It is always important to involve marketing, casino hosts and the gaming department leadership, who are directly connected with the

players, to survey and ask specific questions of the targeted segment of players. If the restaurant does not directly result in fulfillment of the targeted purpose and goals, then the exercise will not provide the desired result. Focus groups are commonly used. Asking the correct questions of the players is critical.

Physical

What is the menu not being offered by any other outlet currently that is now needed? What is the level and style of service desired? What is the desired level of formality of the atmosphere? What are the targeted price points and check averages? What are the planned days of operation? Is this an overflow restaurant for high volume times such as weekends, holidays or special events or a 7 day per week outlet? How many seats are planned? How much flexibility is desired for the seating plan to allow scaling back the seating space on slower days? How much space is available to build? How much space is required? What is the desired square footage split between dining room space and back of the house support area? Will the outlet be located along walls that can possibly allow future expansion?

Costs

Projected design costs or budget, which comes first? Operators must decide who will get to provide input and who will decide quality level of technology, equipment package and green construction.

Logistics

Will the new space take over an existing operational area? Will the construction require creating a temporary space to conduct existing dining operations to fulfill the needs of the players while allowing the construction site space to be dedicated as a work zone? Will equipment and/or décor be used/recycled from an existing space for the new outlet?

Often considerable savings can be created if items are recycled. Care must be taken in deciding which items are actually viable for reuse. In some cases décor may not be able to be removed or repurposed at a lower cost than purchasing new. Certain kitchen items should not be reused such as pre-series 7 refrigeration equipment, old solid state appliances, certain steam operated items, non-NSF compliant items. Just because equipment is currently operating does not always mean that it will be adequate for reuse. This is a great time to consider green construction and operational practices during the conversion such as variable speed hood fans, internal composting equipment and replacement of non energy star

devices. Often existing equipment may not efficiently fit in the new footprint. Attempts to reuse such items can actually cost more money in the future by creating inefficiencies.

Decision Makers

Who will be the decision makers for the menu and type of service? Design and layout should be based upon the menu. Typically 80% of restaurant sales will be from 20% of the top menu items. Layout, time and motion, steps-to-service should be driven by specific creation and efficiencies of producing these items. There may be new equipment available that can be acquired to increase efficiencies.

The final operators of the finished outlet must be involved in the planning process. They should input items such as aisle widths, counter heights, line-of-sight, service and support area contents and distances from stations and the kitchen and bar. The operators should be involved in the selection of POS systems, server call systems, table control systems and internal communication systems. There is considerable value in discussing with current operators, “what doesn’t work well in the existing outlets”. Casinos who rely on equipment suppliers, architects, engineers, contractors and other resources who do not currently work in operational capacities commonly find themselves with finished outlets that may be attractive and overbuilt but are not functional and staffing inefficient.

Project Management

Who will act as Project Manager for the casino? Many successful operators have a dedicated staff member who knows many of the elements of project openings and acts as the project manager agent for the casino, or operators can retain a third party who works for the casino as project manager or to fill the project management role in areas that the staff manager is not familiar with. This role is critical when coordinating layout and design. Typical challenges arrive between different parties. A good example is when a kitchen equipment designer plans use for every inch of wall space but does not leave room for the engineer to place sub panels in the walls. If joint planning is not coordinated along the process the operators will not get the design they intended.

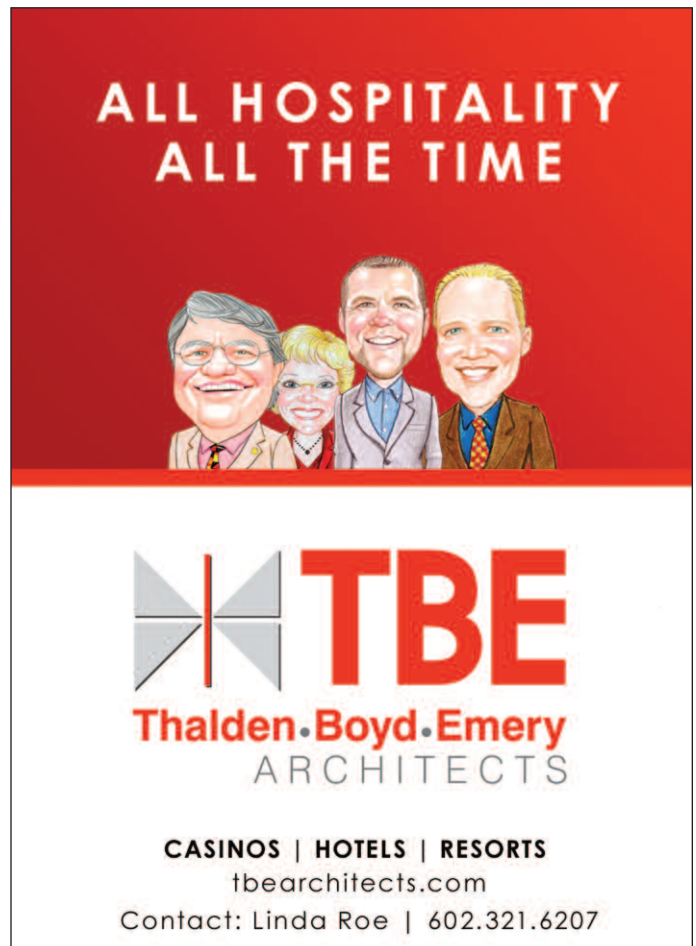
The project manager role is also very critical in coordinating timing and installation elements by subcontractors and timing of suppliers who provide outside services identified on the construction plans as “by others” or “by vendor.” General contractors usually will not spend much time trying to coordinate these items if this is not required within their contract. Inadequate coordination and timing by third parties typically will lead to last minute change orders and additional costs for the casino. Often immediate answers are needed from the operators during installation of certain systems and the contractor has no idea who these parties might be.

Budgets


What will the budget be? Costs can be built from a projected “not to exceed” budget or preliminary pricing via RFP (request for proposal) quotes from suppliers. Once these are received adjustments can be made in areas that are over the projected budget amounts. Decisions must be balanced between the customer areas that directly touch the guests and back service areas that effect the production of product that also ultimately affects the guests.

Costs of Long Term Efficiencies

What will the costs be and how much will future returns be? When planning forward thinking technology with longer term savings on utility costs and green practices, it may be determined that the initial acquisition costs of purchasing these items may not fit within the budget. The cost of utilities will always continue to rise over time. Difficult decisions must be made. Layout and equipment decisions that must be made should be calculated against additional labor costs of operations with inefficiencies.



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Maximum production with minimum staffing should be considered. The cost of labor and staffing will always continue to increase. Each additional staff position required to operate an outlet will average at approximately these costs:

For one extra staff position required for a three meal outlet open 12-16 hours per day: (2 – (8 hour) shifts = \$9.00 per hour plus .45% of salary (for benefits) equal \$13.00 per hour x 16 hours (2 shifts daily) = \$208 daily x 365 days per year = \$75,920 annual cost per position added by poor planning and design.

Three additional staff members needed due to inefficient design or equipment will cost over \$220,000 annually. This cost is right from the bottom line in lost profits. This calculation is not often performed and a staff member (or two or three) can be overlooked. Given the diminishing amount of staffing available for most casino operators it is a win-win to use this calculation when designing more efficiently for less staffing.

Timetable

How long will it take? A timetable of when the project is required to be completed balanced with realistic timetables for demolition and construction is critical. Timetables are often created by working backwards from the desired opening date. Always allow at least two weeks after the contractor turns over the space and the inspectors have cleared the facilities for occupancy for test firing equipment and systems as well as deep cleaning, organization, practicing of dry runs, training, live runs, private parties, press parties, and VIP players private parties, in the time prior to opening to the public.

Critical Timetable Control Points

What are the critical schedule times that must be met for the restaurant to be opened on time? The final schedule will contain critical timetable points for items such as stub-ups, pouring of slabs, weather seal in (dry-in), rough-in verification, closing walls (with allowances for oversized equipment that must first be delivered inside the space as well as internal wall conduits and chases), critical installations requiring no activity onsite such as floor treatment installation and a continuous flow of timing and scheduling. Failure to meet timetable critical schedule points may require delays, a revision of opening dates and cost overruns.

Final Costs and Return on Investment

How will final costs be calculated? Shortly after opening the outlet, all final billings should be in the accounting system. This will allow costs of the project to be calculated. Add additional excess costs of casino staff that performed dedicated roles in the project outside of their regular duties. The first determination will be if the project cost was less than the budgeted amount.

How will the long term costs and benefits be determined? Typically, on a quarterly basis, actual financial results can be

compared to budgeted figures. If the outlet replaced another outlet a comparison can be calculated not only comparing outlet figures but any projected increase in gaming revenues or visitation per door count or similar benchmarks of comparison. This time is also when the database analysis becomes very important to determine behavior changes within the players as a group and within different segments. Key determinants will also be in speculative areas where an investment was made to reduce long term utility costs and labor costs. Success in these areas may lead to the decision to make adjustments in other existing outlets when it is time to remodel, reconcept or replace worn-out equipment.

The Final Result

With proper planning, goals, methods of measurement, and project management, the final result should be the desired result. Food and beverage openings have many moving parts and require diligence for success. ♣

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