



The Four Greatest Challenges of Casino Food and Beverage Operations

by Craig Pendleton

The majority of tribal casinos have been open long enough to be considered mature properties. When casinos first began opening, simply being a new casino was enough to generate traffic and business. As competition has increased over the years, many properties have gone through the process of reinvention, remodeling and attempting to determine what attractions will stand out above the competition to continue to grow the business.

Routines have been created, standard operating procedures put in place and patterns of business normalized. Food and beverage has always struggled with the balance between being an amenity, necessity, area of reward redemption and profit center. Profit margins in food and beverage can be very slim. The customers know how much food costs. Menu prices cannot exhibit an aggressive mark up. Labor costs, utilities and other areas of overhead continue to increase. Outlets that are not priced aggressively or sell a large volume of alcohol struggle to deliver profits.

There are four areas that exist as the greatest challenges for most operators and keep executives awake at night. Here are the problems that have the greatest impact on department success and bottom line profit; who are typically the most concerned parties; and what the key elements to analyze for improvement.

Problem 1: Low Profit from Food and Beverage Operations

There is a department loss or not enough profit from food and beverage operations.

Most concerned parties: CFO, CEO, GM, Food and Beverage Director, Executive Chef

Key Elements to Analyze:

- All department/outlet operations and suggestion processes for improvement
- Existing Systems and Controls
- Real time control tools in use currently by Food and Beverage operators
- Menu engineering and pricing currently in use/efficiencies of menu items
- Labor systems: staffing/scheduling/dynamic controls/efficiencies of time and motion, layout, design and steps to service/real-time labor management processes
- Utility use efficiencies
- Waste controls in place
- Security of product and resources

- Purchasing/rebates/vendors/bid/contracts current system
- Receiving and product movement efficiencies and safety
- Additional overhead expense areas (trash disposal, linen/laundry, bulk oil/CO2, supplies and outside services)

Problem 2: Low Impact of Food and Beverage Operations as an Element of Casino Marketing

Food and Beverage operations do not have a significant impact on new player attraction, increasing existing player visits, significant player rewards, a distinctive service and product level above competitors, an effective role in soothing player gaming losses and leaving them happy enough to return and repeat the process.

Most concerned parties: CFO, CEO, GM, Marketing Director

Key Elements to Analyze:

- Assessment of all food and beverage operations as they relate to marketing, promotions, special events and player experience with emphasis on training, culture and processes
- Guest service programs in use

Problem 3: Staff Turnover and Weak Development of Staff

Poor levels of Food and Beverage staff retention, poor onboarding processes and training materials/practices, low success in long term development of in-house staff for future supervision and ongoing training. Poor level of long term development programs.

Most concerned parties: CFO, CEO, GM, Human Resources Director, Tribal Council

Key Elements to Analyze:

- All materials and processes – onboarding, training materials, continuous development
- Existing culture of advancement and procedures
- Ongoing communication processes with staff
- Employee input and feedback processes
- Employee recognition programs
- Scheduling and staffing model accommodations for employees
- Dedicated long-term tribal staff development programs

Problem 4: Using the Wrong Resources for Expansion or Remodel Project Management

When planning and executing expansion, re-concept, remodel using the wrong resources in the form of existing staff and supervision to coordinate along with suppliers and the vendors who supply products and services but have no strong experience in operations and project management. Failure to integrate staff and supervision in the input for design, equipment and maintenance concerns. Using parties/vendors whose primary interest is in selling products and services instead of project oversight by a neutral third party operating as the owner's agent in controlling casino expenditures to reduce costs and coordinate efficiencies including reducing change orders.

Most concerned parties: CFO, CEO, GM, Facilities/Engineering Director, Tribal Council

Key Elements to Analyze:

- Current processes, resources and parties involved in expansion/remodel projects
- Vendors and their true operational capabilities to input the process

- Best practices in place to protect the casino and reduce costs

Next Steps

Operators should complete the analysis of suggested areas. Involve parties outside of the department operators. The operators must serve the role of demonstrators of current practices not analyzers. Consider outside sources for this process. Rarely will properties themselves generate significant new systems, innovations and perspective unless there is a specific person or team within the casino identified to constantly work in this area. Typically operators will repeat what they did yesterday. Very few have the time to research new trends and innovations. Much of the expanded viewpoints come from having worked at or with enough other casinos to bring a variety of new ideas. ♣

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