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 HFTP, CMAA, 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
About This Presentation

- The Perfect Storm
- What’s At Stake
- The Bulletproofing Concept
- Food vs. Cash
- Immediate Steps
- Automation
The Perfect Storm!

Massive changes underway – recession, uncertainty, rising food and labor costs, falling sales, tough immigration and drinking laws…

But the way we control F&B hasn’t changed in decades. Many won’t survive.
What’s At Steak?

2007 Average Club F&B Revenue = $2.1 million

Average club will lose $290 in the next 24 hours
Average club will lose $105,000 per year

Your club will lose $60,000/year
per $1 million in annual F&B revenue!

Source: CMAA 2008 Club Operations Report
Profitability Impact Exercise

Increase Sales or Reduce Costs?

- Average CMAA club F&B revenue = $2.1 million
- 54% of clubs lose money on F&B

If your club was profitable, and had a 5% F&B profit:
- Savings from a 1% decrease in F&B costs = $21,000
- Sales increase required for same savings = $420,000
Bulletproofing Principles

- Primary objective is to protect against unnecessary F&B loss and provide optimum F&B results regardless of personnel.
- Integrated organizational structure provides checks and balances and shared responsibility.
- Secure storage and movement of goods.
- Clearly defined job descriptions, responsibilities and associated procedures lead to less reliance on individuals.
- Automation helps to minimize labor costs, facilitate integration and provide accurate, timely reporting.
The Bulletproofing Pyramid: Success Through Structure

Most clubs and hotels are not properly structured for F&B success. Implementing systems without proper structure leads to failure.
Preparing Management: Organization Structure Integration

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
Labor Concerns

All duties are currently being performed – reassign, reshuffle – additional labor may not be needed
Food vs. Cash

What’s the difference between a Sysco truck and a Brinks truck? Perception shapes policy.
Food vs. Cash

Walk-in or cash vault? Are storage areas secure?
Food vs. Cash

If bags of cash were moving between outlets, would they be handled differently?
Food vs. Cash

Do you wait until the end of the month to count the cash drawers?
Food vs. Cash

Do you frequently give cash to your members – even if they don’t ask for it?
Immediate Steps to Reduce Variance

Over-portioning
- Recipe knowledge
- Visual cues
- Equipment

Waste
- Can’t manage what you can’t see
- Prep objective should be yield – not speed
Immediate Steps to Reduce Variance

Spoilage

- Forecasting
- Ordering
- Storage
Immediate Steps to Reduce Variance

Employee theft
- Acute
- Chronic

Purveyor theft
- Driver-related
- Invoice-related
Automation: The Final Frontier

- Automation is key to minimizing labor requirements and providing critical management information.
- Food and beverage inventory systems play a central role in system integration.
- Club systems do not include adequate food and beverage inventory systems and do not integrate with other required systems.
System Integration Points

- Hand held device for inventory, receiving, requisitions and transfers
- Vendor interface for ordering, receiving invoices and bids (Sysco, US Foods, etc)
- Catering interface for BEOs and event sales (Clubsystems, Caterease, Delphi, etc.)
- Accounts Payable interface for invoice transaction data (Lawson, Great Plains, Jonas, etc.)
- POS interface for sales information (Micros, Northstar, ClubTec, etc.)
Integrated Benefits

- 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
Weathering Future Storms

1) Integrate F&B into the organizational structure
2) Separate and organize physical inventory to achieve better control
3) Enforce the disciplines
4) Implement an integrated F&B management system
For More Information…

- Articles:
  - Foodtrak.com
  - Cmaa.org
  - Boardroommagazine.com

- Copy of today’s presentation, consulting and systems information, questions or comments:
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