

Club Food Operations

The Club Food Dilemma:

Food is a core issue in any club operation. The perception of a given club is caught up in the dining experience---is the food “good”; does it reflect the needs, wants and expectations of the membership; does it amplify the social experience; does it represent good value; is it consistent; are members proud to have their guests down to dinner.

Pride in the food experience, however, comes at a high price. “Big Bucks” are needed to fuel the private club food operation since the “user group” is a small one; the clientele has sophisticated tastes and expectations; the creation and maintenance of a culinary team equal to those tastes is expensive; the service schedule is irregular; usage patterns gyrate wildly throughout the week, month and year; the competition for the member’s dining dollar is intense in “mature” urban locations; and the spectrum of member dining needs is enormous, ranging from kid buffets to gourmet dinners, from fast food to “mega” wedding receptions. These conflicts generate losses and it is the rare private club that actually makes money on its dining room operation. And it is equally rare that members see theirs as anything more than “club food,” acceptable but not terribly exciting, O.K. but certainly not memorable.

Therein the dilemma. How does a club provide for the needs and expectations of its membership without “bankrupting” either the finances or the good will of the very member community it hopes to serve?

Every club handles the “food dilemma” differently. Some clubs value food and service so highly that they assess the membership to cover losses at the end of the year. Others raise their dues enough to neutralize those losses. Others try to provide a variety of dining and drinking venues which, taken together, exceed the losses in the dining room alone. Most clubs encourage private events which, because of their predictability and the premium dollars they can demand, generate profits used to reduce or overcome those dining room losses. Other clubs have a “food minimum” which requires that member families spend a certain amount of money each month in the dining room or pay a premium for not doing so. These are but a few of the many options which exist, though the dilemma remains---how to provide “the best” with the dollars available.

The Beach Club addresses the food dilemma in its own unique way. This White Paper is intended to provide an understanding of The Beach Club’s food operation by discussing the principles which drive the dining experience in all private clubs, the policies which underpin our own food operation and the options which exist to modify what we currently do.

A Brief Summary of “The Big Issues”:

Club food operations are very complex. Anyone who tells you they are not are innocents that need to be educated. Assumptions underlie operating decisions, each club’s membership is different, each club’s strategic philosophy is different. However, there are some issues which are constants in this and every other club. The following are a few points you need to appreciate while evaluating The Beach Club’s culinary effort.

Five Reasons Why a Club Food Operation Doesn’t Run Like a Commercial Restaurant

1. Small user base.

2. High expectations from that user base.
3. Value consciousness of that user base.
4. Expectations within the user base for “non-economic services” paid for with dues.
5. The need for a “creative kitchen” versus a “manufacturing kitchen” to equal member expectations.

The Twenty Things You Really Need to Know to Understand The Beach Club’s
Food Operation:

1. Food is a core service provided to the membership.
2. Dues drive services.
3. Clubs have a severely limited user base.
4. The members are sophisticated and have high culinary expectations.
5. Members want value and expect dues to keep the “value relationship” high.
6. There is no “right” cost of sales. “The Right” is defined differently by each club.
7. There is no “right” food subsidy since each club defines “The Right” in its own way.
8. Members praise great kitchens but barely comment on food profits.
9. Clubs do not provide a “niche” food product. There is a very broad spectrum of food needs within the user base which requires more resources to be invested in a less focused culinary effort.
10. Members prefer food produced in a “creative kitchen” to that created in a “manufacturing kitchen” and a “creative kitchen” is far more expensive than a “manufacturing” one.
11. The “core” food and beverage team must be carried year-around if quality is to be maintained. The “off-season” cost of doing so is significant.
12. Part time people are easy to find for the wait staff and very hard to find for the kitchen upping both the cost of the “core kitchen team” and the overtime paid during the busy season.
13. Bars and Grills make money because they’re “manufacturing” environments.
14. Clubs must provide food options that are “known losers” economically.
15. The repeat nature of the business requires continuous variety in the menus offered.
16. An interesting building complicates service.
17. Dues are a far more efficient way to subsidize food operations than quarterly minimums.
18. Members will pay dues to subsidize the dining room if they use they enjoy and often use the dining room.
19. In a non-manufacturing food environment, food consistency is expensive since an executive chef, a well trained team and low turnover are needed, all of which are costly.
20. Anticipating usage on any given day is an art not a science. You’re not forgiven for having too few staff or too little food. Waste and over-staffing ---and the losses involved therein---are therefore inevitable.

Issues To Consider When Analyzing The Beach Club’s Food and Beverage Operation:

Boards, who make policy, and managers, who administer those policies, need to be aware of certain “core issues” which drive the “food dilemma” in private clubs. The following points are basic to that understanding.

1. **Numbers can be deceptive at best and meaningless at worst unless the assumptions driving and the “stories” underlying those numbers are understood:** Numbers are a shorthand way of telling the story underlying operations. “Norms” are applicable to a certain point but no further. Although people want quick answers, and the shorthand of numbers gives the appearance of quick answers, the issues are amazingly complex. What assumptions drove the operating decisions? What scenarios arose to impact those numbers?
2. **Clubs provide services to the membership, food is a service, profit is rarely the motive for providing club services and dues are needed to subsidize club services:** Dues are levied on members since the contributions made by the operating departments are not equal to the “overhead” needed to run the club operation. This distinguishes clubs from commercial operations. In a sense, dues are used to fund “loss leaders” such as sports, bridge, living rooms, youth programs and plasma screen televisions since members join for these and other services which are not financially “self sustaining.” Wanting these services means paying a premium to receive them and the monthly dues are the premium charged to subsidize those programs.
3. **Limited User Base:** A private club sells food to members and their guests. The members are limited in number---at the Beach Club there are roughly 700 families---and each of those members has multiple dining choices outside the club and only so many dining opportunities in a given week. On the one hand, there are too few families for the facilities available and on the other hand there is too little variety for the repeat users of the dining room. How many times will anyone eat in the same location during a given month? To compensate, one needs either a larger membership, some technique for forcing them to eat at the club (monthly food minimums) or a larger subsidy from the dues charged each and every month.
4. **Broad spectrum of needs within the user base:** Clubs like The Beach Club that have a diverse membership---young families, single professionals, empty nesters and senior citizens---are challenged to provide food appropriate to each of those user groups. Most commercial restaurants target one or the other of these groups while a private club must provide dining opportunities for them all. Efficiencies are lost as the “happiness quotient” for the entire community increases.
5. **The concept of value amongst the membership:** Value is paying the right price for the quality received. Members, however, consider the right price to be somewhat (or in some cases, considerably.....) less than is the norm for that level of quality in the outside community. The reasoning is that in “their own home” where profit “is not a factor” and where they pay monthly dues, they should get a deal on each purchase they make.
6. **The varied definitions of “food success” amongst the members:** Since the user base is varied and since the club provides food for each of those user groups, there are multiple different definitions of food success amongst the membership. The club tries to be all things to all people and the effort has a tendency to be both costly and not altogether successful. A young family might think that cheap and casual are the ideal, whereas the “blue hairs” might believe that traditional food in a formal setting is best while the “empty nesters” are searching for cutting edge cuisine in a contemporary setting. Try to be everything and you’ll eat up “the big bucks” and if you specialize you alienate a large percentage of the membership. In the commercial world, you focus on a special niche and ignore the others, thereby focusing your resources on one source.
7. **Large, profitable commercial operations have greater “quantity purchasing power” than do clubs:** The more you buy, the more leverage you have in buying the goods and

services you need. Most clubs, like The Beach Club, are small businesses with little or no clout with the purveyors they use. Cost of sales---that is, the cost for the raw products used in manufacturing menu items---are inherently higher in small businesses for the same quality of raw product since purchasing leverage doesn't exist.

8. **A variety of food outlets within the club:** To satisfy the variety of dining needs exhibited by the members, multiple different outlets are required where the food and the setting are appropriate for a specific user group. This is always an inefficient way of doing business since it requires more staff, more supervision and more menus than the size of the user population would suggest. Clubs make that provision and accept the inefficiencies, however, since they're in the "happiness business" and not the profit business.
9. **The Beach Club has unique spaces which improve the "aesthetics" but complicate service:** The most efficient service environment is one in which all services are provided in a single space. The service supervisor can monitor the entire area at one time, service personnel from one station can be used in another location as needed and members can "see" where the service people are, thus reducing anxiety and frustration. The Beach Club is a unique collection of spaces which give personality to the facility. But this personality costs money since coverage requires more service people than a single contiguous space would require. Costs go up dramatically to provide a given level of service in each of those locations.
10. **Hours of operation:** Certain food outlets are open when they should not be in a club---formal dining rooms which are open for breakfast and lunch---simply because the service is traditional and therefore expected. And dining rooms, which would run most efficiently with a hard and fast "last order" rule at night, shouldn't do so if member happiness is the guiding principle.
11. **Limited days of the week:** Most clubs don't have seven day a week, three meals a day food operations. Although breakfast is generally a "dog" meal everywhere, a strong seven day a week lunch and dinner business---as is the case with most successful commercial operations---helps eliminate waste (you can use tomorrow what you don't use today) and increase revenues.
12. **Seasonality:** Most clubs have strong and weak seasons. The core team is kept throughout the year to ensure product quality and to provide for needs during the "on" season.
13. **Contrary to popular myth, buffets aren't cheaper to operate since they require almost as many kitchen staff and have a much higher food cost:** Huge crowds, which are out of the norm and are "one-shot deals" like the Fourth of July, need to be served with buffets. At The Beach Club, this is the case on summer Sunday evenings as well as on holidays. Because crowds can't be predicted, buffets can either work (just the right amount of food, just the right number of staff for the crowd) or be budget busters (lots of left-over food that can't be reused, too many staff for the number who show up). And regardless of the event, the buffet must always look "bountiful" which, though an aesthetic plus, is a huge waste of food since the excess is never consumed.
14. **The need to maintain a "core culinary team":** The best culinary team is the one that works together year-round. Given seasonality, a larger core team is needed than is sometimes required by the amount of business *at that moment*. Given the quality level that members require throughout the year and given the need for large capacity production during the off-season (Christmas, New Years, Easter, Thanksgiving), a larger core of quality kitchen and service staff is needed than would be the case in a commercial operation.
15. **It's easier to find part time people for the service staff than for the kitchen staff:** Part time wait staff are easy to locate and can be trained quickly to be waiters in almost any service environment. Such is not the case with part kitchen staff since the skills needed to work in a creative versus manufacturing kitchen are usually specific to a given kitchen

environment. Therefore it's easier to operate service component with fewer full time core people---since part timers can be found when needed---than it is the kitchen, which must inevitably carry far more trained people in its core team since finding part timers is difficult at best. Therefore, during busy times, the core kitchen staff gets tons of overtime whereas the service team does not.

16. **A sophisticated user base:** Member expectations are dictated by their education, their affluence and their experience in the larger culinary world. These tastes are of a very high order. To satisfy them, the culinary team has to be of a higher quality than might be required in the commercial world.
17. **Huge cash tips don't exist to attract the highest level of service personnel:** Talented service people gravitate to the commercial world because of the cash tips which are available to them in a busy restaurant. Since tips aren't there to supplement the hourly wage, clubs must either pay more per hour for their staff or accept a lower quality of service staff than would be available should those cash tips exist. Club service personnel stay less for the money than for the "club embrace" that can't be found elsewhere.
18. **Manufacturing Kitchens are Different than Creative Kitchens:** Manufacturing kitchens rarely change the menu, have little flexibility in customizing items for the customer base and are resistant to innovation. However, because of these factors, manufacturing kitchens can produce food quickly and inexpensively using relatively untrained employees. Turnover is encouraged to keep manufacturing costs down. No chef is needed once the initial menu has been created. The Grill, which makes money, is a "manufacturing kitchen" whereas Whitney's is a "creative kitchen." People like the Grill---casual, paper plates, self service, the usual offerings--- but they rave about Whitney's. Both are needed but only one makes money.
19. **Bars make money because they're a "manufacturing environment":** Labor costs in the bar are very low since the products are standardized, the "manufacturing techniques" are easy to teach and the ingredients can be easily quantified, thereby reducing waste and "shrinkage."
20. **Function business makes money because it's a "manufacturing environment":** Functions involve a fixed menu for a fixed number of guests with a guaranteed minimum for attendees. The food can be created on an assembly line, the service staff can be minimized since orders needn't be taken and there is little waste from over-production. Clubs love functions because they're the one area where "creative kitchens" can function like "manufacturing kitchens" and make a significant contribution to overhead.
21. **The competition within an urban community:** In a mature restaurant market such as we have here in West L.A., members have lots of dining options. These options not only draw those members away but they use those options to evaluate the quality of food and beverage being offered by the club. How many times can a member eat in the same place in a given month?
22. **Club tradition---Member Expectations about breaking even, losing money or making a profit:** Some clubs have a tradition of great food and service and a willingness to pay---either with dues or an annual assessment---for both. The Hillcrest Country Club is one example. Others have accepted that they can't win the competition war and have instituted a "food minimum" which, though considered unsavory, is simply part of the "norm" in a given club. Others, like The Beach Club, hope to break even in food and beverage operations by netting to zero the losses in the dining room with the profits in the bar and grill---which are both "manufacturing environments" and therefore profitable. History defines member expectations and a club should acknowledge that when evaluating food options.

- 23. “Ritual of dining” environments cost more to operate than “bistro” type environments:** Those who are into “the ritual of dining” restaurant experience want formality--in the ambiance of the dining room, in place settings, in the dress of the service staff, in the complex presentation of food--and that formality costs a great deal. City clubs are famous for this type of service. The Beach Club is saved this expense because people are comfortable with “bistro” style service at the beach--great food, attractively plated, with a smiling staff, all at a reasonable price. Ritual of dining locations are often business / expense account driven. Fortunately that’s not us, and we save a bundle financially as a consequence.
- 24. Quarterly food minimums are about taxing non-users and forcing usage:** Minimums force people to use the club dining room or to pay a “tax” for not doing so. This is a poor system since those who are “forced” are angry because they feel blackmailed into using the club, the profits on those visits are miniscule and the “taxed” ---that is, those who choose not to spend the minimum and pay the difference between what they spent and the minimum---are really disturbed. The Beach Club has never had a minimum, preferring instead to raise dues to cover food losses. This is the most efficient (every dollar received is pure profit) and to all but the most active users of the club, the most equitable way of handling the subsidy when needed. Besides, with the positive buzz about Whitney’s, usage patterns are up, thereby eliminating the need to “force” people into the dining room.
- 25. Club tradition---anticipated quality, service and offerings:** Each club has a history that members have come to accept with time. Businessmen feel comfortable eating off paper plates in the Grill and ladies expect to have lunch service on Thursdays in the dining room. They expect a minimum level of quality and service. Those standards can easily be raised but they can rarely be lowered. The club could have dining room lunch seven days a week but it would be unwise to reduce it to two days a week from the four we currently have. These traditions limit options and build in losses.
- 26. Speaking with the feet and member satisfaction:** Clubs are in “the happiness business.” If they walk in the door in greater numbers, we can assume that they are happy. Covers are more important in determining member satisfaction than dollars spent. As long as members continue to use the dining room in increasing numbers, the club mission is, to a very large extent, being satisfied. Clubs would be ill-advised to improve the bottom line if it meant slowing the number of users from the member base.
- 27. Consistency and the costs involved in providing it:** Consistency is difficult to achieve in a non-manufacturing environment since the menus change with some frequency and are usually more complicated to produce. To counter this and to achieve production consistency, a higher level of employee, with a longer term commitment to the club than such employees normally give to commercial restaurants, is required. “Buying” consistency is expensive.
- 28. Food Cost:** Food cost is the cost of the raw ingredients used in making a given food item. The norms for commercial restaurants---which are manufacturing environments by definition---are different than for clubs where a creative kitchen is usually pursued and sale prices are lower. Because of the inconsistency in the club business---hours of operation, limited user base, etc.---there is a higher percentage of waste in raw food costs. In a restaurant, a low food cost is “good” since the profit margin is higher whereas in a club a low food cost might be seen as “raping” the members. The “right” food cost in a given club is dictated as much by tradition, board policy and perceived value as by any industry standard. The “right” cost of sales is what any given club feels is right. And “right” will always be different for ala carte business, function business and “member promotional events” such as our summer Sunday buffets.
- 29. Labor Cost:** Labor cost is the cost of the labor involved in creating a given amount of food revenue. High turnover, low expertise and youth keep labor costs down---the very things that you find in a “manufacturing” food environment like Wendy’s or a Holiday Inn. The norm

for labor costs in these environments is different than in a creative kitchen, whether that kitchen be in a club or in a high end French restaurant in the commercial world. Clubs have high labor costs because they have executive chefs with creative skills (or they should have), they seek consistency by retaining staff for a long time and they have a team capable of developing personal relationships with the membership.

30. **Covers:** Covers represent customers in the restaurant business. The term derives from the tablecloth “covering” the table used during food service. More covers mean more people walked in the door, fewer mean that less arrived. The Grill can’t be measured using covers since many of the purchases are small and inconsequent---popsicles, cookie dough, a beer, French fries.
31. **Revenue per cover---regular business:** This term deals with the dollars spent by each person who sat to eat during a regularly scheduled dining opportunity. Ideally you want more spent per customer. However, having more customers eating slightly less---say, more using the bar and eating heavy appetizers for dinner during the game---is actually a “good” though on the surface the opposite would appear to be true. The reason is simple: more members using the club, under most definitions of “the good,” is a plus regardless of the dollars spent per visit. Members who use the club frequently willingly pay the dues each month. The number is less important than the story which underlies the number.
32. **Revenue per cover---function business:** This term deals with the dollars spent by each person who sat to eat during a private function. In this case, more is often better since the club wants to increase the “profit potential” during manufacturing opportunities.
33. **The “Seat me now” reservation mentality:** Members pay dues and they feel that their ownership interest in the club gives them rights not otherwise accorded to them in the commercial world. In a regular restaurant, tables are available or not according to the service staff hired at a particular time. Too few staff for that time frame means that you wait at the bar. Members when they arrive, with or without reservations, expect to be seated. This means that you need to overstaff to ensure that they can be both seated and served when they want rather. In such a situation, staffing for maximum efficiency is difficult to achieve.
34. **Waste:** Waste relates to raw food and waste occurs when food is produced inefficiently. Clubs are inherently wasteful since usage on any given day is difficult to predict, over-production occurs in anticipation of high usage, the operation is not open every day which would allow products to be used on a following day that weren't used on a given day, the menu on the opening days is often different and on big occasions buffets are needed which are “waste engines.” Waste increases food cost.
35. **Staffing known losers:** Food is a “service” provided to the members. Some members want food options that make no economic sense---breakfast seven days a week, lunch in the dining room each day, a formal coat and tie dining room and the like---and those services are provided since dues rather than economics drive the service options.

Cost Reduction Options:

Losses in the food operation can be reduced. Doing so would require choosing amongst several options, not all of which (perhaps it would be more accurate to suggest that most of which---) are attractive to the membership. That said, the following options exist:

1. Bill members a “dining room subsidy tax” each month to make up the difference between the budgeted net of the food and beverage operation and zero. If you budget to lose \$10,000 in food and beverage operations---as occurred in this fiscal year---then you would specifically

bill each member an extra \$1.25 per month. This would dramatize the subsidy each month, possibly making the members more amenable to the other options.

2. Reduce the size and variety of the menus.
3. Reduce the number of rooms in which food service is offered.
4. Eliminate member dining on nights when functions are being served.
5. Reduce the hours and days of operation in the “off-season” and lay-off most of the food service employees.
6. Require reservations for dinner to provide more predictability.
7. Encourage turnover in the labor team.
8. Eliminate lunch in the Patio.
9. Restrict the number of reservations taken in the summer months, thereby avoiding buffet service altogether.
10. Encourage turnover in the labor team.
11. Hire a working chef versus an executive chef.
12. Hire a “manufacturing chef” versus a “continuously creative chef.”
13. Accept “chef burnout” and encourage frequent chef turnover.
14. Hire a “kitchen only” chef and eliminate the public relations role of the chef.
15. Serve no food at the Board and committee meetings.
16. Charge Board and committee members for the food and beverage they consume at meetings.
17. Close down the dining room altogether and only have the Grill and Bar as options.
18. Encourage more function business.
19. Charge more for each cover served to the general membership.

How Did We Get Where We Are Today???

The Beach Club has a unique “culinary culture” that has evolved over time. The following is an article I wrote for publication discussing the evolution of “Whitney’s.” Reading it will amplify my own thinking on the food operation here at The Beach Club.