Food & Beverage

Don't Leave Money on the Table

Pricing Your Food & Beverage
by John Zaruka

Been to a theatre lately? NHL Hockey last winter? How about a ballgame? What did you pay for a hot dog at Skydome? How about your beer?

More to the point, what is the difference between a golf course food and beverage facility and f&b at other sporting venues or theme parks? The differences aren't as great as what you might imagine, in fact there are many commonalities.

For example, hockey arenas, ballparks, theaters, and theme parks are very seasonal. Like golf courses, they are facilities where foodservice is ancillary to the operation. Patrons do not go to these venues because they serve a mean pastrami sandwich or hot dog. They go to enjoy a movie, ballgame or the attractions at the park. Similarly, people go to golf courses to play golf, not to dine out.

A recent study commissioned by the NGCOA in the United States indicated that food cost percentages at golf courses are about 5 per cent higher than the average stand-alone restaurant. Ballparks, theatres and theme parks, on the other hand, operate at food costs 5 per cent lower than the stand-alone restaurants.

Why is this?
Well, perhaps the roots can be traced to the fact that the golf industry has historically been dominated by "mom and pop" owner-operators. My first job, for example, was working at a beach concession with my father, a schoolteacher. We had no experience in the hospitality industry. Our pricing strategy was to double the price we paid for the product.

In other words, we set up a theoretical cost of about 50 per cent. I call this the Z's POP pricing strategy. As I look back, I realize that we left significant sums of money 'on the table'.

Many operators are in the same position that our beach concession operation was many years ago, not knowing what their cost should be. If you can answer the right questions and implement strategies and methodologies for pricing golf course f&b products, you can pick that lost money up off the table and place it in your operations 'tip jar'.

What Should My Food Cost Percentage Be?
This question is invariably asked at every group food and beverage session held

by golf industry workers. The answer is "whatever you want it to be." This may seem like a wise-guy response but it is factually correct.

Each course has its own strategy for pricing, product, and service levels. Well-managed facilities costs range from 22-35 per cent total cost of sales.

Ever been to the Masters? Their ticket is hard to come by and pricey, but their food and beverage prices are low. They have decided to generate their income from ticket sales. Because their retail prices are low, they run a higher food cost than other similar events. They have deliberately made this part of their marketing concept. But this does not have to be your strategy.

Many golf courses have prices based on the Z's POP method, because they believe in "fair" pricing. But what is "fair"? Golf courses are open only a few months a year. Your green grass food and beverage outlet has to open all hours, many of which are non-profitable. Often, the food and beverage outlet is solely a golfer convenience.

Pricing as Part of the Marketing Strategy
Pricing is an important part of your marketing plan. Golf courses are becoming more and more sophisticated in their marketing efforts. However, the food and beverage component is often ignored in the planning process. A food and beverage marketing plan should be a component of the overall course vision. Within this f&b plan should be a pricing strategy.
Compare your prices with other courses and other recreational facilities. Your pricing strategy should match the market position of your course.

Calculating the Food Cost
As we know, food cost percentage is determined by analysis of pricing and product cost. The best approach is to develop a theoretical food and beverage cost for your operation. This calculation gives management benchmark cost figures.

How do I determine my theoretical costs?
Follow these steps:

1. Use Excel or similar spreadsheet software program.
2. Cost out each item sold in your facility.
3. Determine the sales price of the item. If the price includes sales tax, reduce the retail price by the amount of the tax. If the tax rate is seven per cent and the over the counter price is four dollars, then the actual sales price is four dollars divided by 1.07 or $3.74.
4. Divide the net sales price by the cost of the item and this gives the cost percentage of that individual item.

5. Determine how many of each item was sold over the last year by using PLU'S (price look up functions in your cash register) or abstracts (general hand counts of items sold over specified times).
6. Multiply the number of items sold times the net sales price. This is the annual revenue for this item.
7. Multiply items sold times the cost of the item. This is the total of the annual cost of this item.
8. After completing the above for all items sold, add down the annual revenue and annual cost columns. Divide the revenue total by the total costs and, voila!, a theoretical cost. The menu sales mix is now factored in.

Once your theoretical cost is established you can now manage your cost. If your actual cost varies by more than two per cent from your theoretical cost, then you likely have a problem somewhere down the line.

Solving the problem should be a bit easier, however, now that you know what your cost should be!