



To Lease or Not to Lease

The pros and cons of outsourcing your food and beverage operation

In these tough economic times, outsourcing food and beverage services has seen renewed interest. Potential advantages include increased profits, decreasing the stress that comes with overseeing such an operation, and an increased focus purely on golf. However, the choice to outsource these services also comes with some challenges and potential downfalls, including communication and a perceived loss of control. In order to make the decision to change your current mode of operation in the food and beverage field, varied opinions on these services is needed. What choice will work best for you?

EYES ON THE PRIZE

One advantage of outsourcing food and beverage services is the ability to focus more on the golf operations side of the business, notes Trevor Clearwater, founder of TLC Foodservices. "It is an awfully challenging thing to run food and beverage, and it is very easy to let it get away, especially when you are focused on other areas that are already difficult enough," said Clearwater. Consumers have expectations when it comes to food and beverage services, and those expectations do not end when they visit a golf club.

"The last thing people see and experience at the golf course is the food and beverage operation, and if it is done well then they will keep coming back," said Bill Brown, owner of Mont-Cascades Golf Club in Cantley, Quebec.

However, golf operations are of the utmost importance, and the challenge arises when one of these operations hinders the other. "Trying to figure out food and beverage takes 90% of the energy needed to run a golf course," Brown said. At Mont-Cascades Golf Club, the solution to this uneven split of focus was outsourcing their food and beverage services.

Another important consideration when outsourcing is the potential difference in the goals of the golf operation and the food and beverage service, profits versus customer satisfaction. While both should be important to each operation, the drive for profits can sometimes overshadow customer needs with some food and beverage operations unless the contract makes it clear that customer satisfaction is what keeps people coming



back. "The outsourcing process needs to ensure that whoever manages the food and beverage operation understands that the golf part of the business comes first, without golf there is no food and beverage," said Brown.

SHOW ME THE MONEY

The decision to outsource food and beverage services can be a profitable one, depending on both the previous level of service and the new food and beverage partner. "If the contract or lease agreement is structured properly bringing in an expert can be a win-win situation for both the food and beverage company and the golf club. What makes it a win-win situation is that golf club operators can still maintain a financial position that they find reasonable with the benefit of improved service," said Clearwater.

With improved service comes customer satisfaction, which can result in increased green fee revenues and membership levels. Though golf may be the main consideration of customers, food service can play an integral part in their overall experience and their likeliness to return.

However, one consideration that comes with the decision to outsource food and beverage services is the loss of potential profits. Without a middleman, all profits

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from a food and beverage operation go directly to the course, as opposed to a percentage of overall food sales.

Colin Nisbet, third generation owner of Westview Golf Club in Aurora, Ontario took back their food and beverage operation after decades of outsourcing it. Though it was a positive experience over the years, they felt that with the right manager there were opportunities for additional profits. The long-term relationship had become a little too comfortable and they had lost some perspective as to the potential profit opportunities. Since taking back the operation, revenues are up 300% from the previous relationship of straight lease fees and percentage of sales, says Nisbet.

Gladie Lilley, manager of administration at Links of Niagara at Willodell in Niagara Falls, Ontario adds that although outsourcing may reduce staff costs, it does not necessarily reduce

administration costs. It is worth noting that the effect of outsourcing on these administration costs depends solely on the structure of the contract. Lilley's experience proves that some of their outsourcing contracts have meant additional time requirements and costs.

However, taking on food and beverage operations while also focusing on golf operations has its own challenges. "There is now an increase in executive time required as well as added stress and costs," said Nisbet. "When it is kept in house it is a lot of work," added Lilley. This added workload may be manageable and profitable at some courses, while others find it too difficult.

"A brief attempt to do it in-house was all it took to recognize that trying to do both [golf operations and food and beverage services] seemed insane. It just doesn't seem to work out," said Brown. "It was way more effort and needed too much executive horsepower for a very small return." Outsourcing can reduce the workload of managers, but maintaining control can add to a course's potential profit if done properly under experienced staff.

COMMUNICATION IS KEY

If a course chooses to outsource their food and beverage services, several things should be kept in mind. Communication between golf operations and food and beverage services is incredibly important in maintaining a functional and beneficial relationship. "Food and beverage should be an active partner so that the goals of the club are in line with the goals of the food service," said Clearwater. "You do not want them to be autonomous, you want them to work together and communicate with each other. It is not really about control, it is about communication."

The original agreement is crucial in maintaining this relationship, and should communicate the goals and expectations of the course clearly. Regular communication is another step to producing a successful relationship on both sides of the agreement, notes Ryan Garrett, general

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manager at The Links at Crowbush Cove in Morell, P.E.I. "We are constantly communicating with our partner," said Garrett. "I think we both realize that the ultimate goal is to make sure the client is happy."

Feedback is another important step in this communication, says Blaine Takeda, manager at Land-o-Lakes Golf & Country Club in Coaldale, Alta. It is important to make food and beverage operators aware of customer complaints, said Takeda. "Sometimes I agree and sometimes I do not but the customer is always supposed to be right."

Like any business relationship, keeping food and beverage operators up to date with the wants and needs of the course and its customers is essential in maintaining a profitable, lasting relationship.

HANDING OVER THE REIGNS

One potential issue of outsourcing food and beverage services is the perceived loss of control it may bring to managers and owners. To hand over the reigns of food quality and service can be a difficult task, but communication and thorough research and referencing of companies can dim this issue of control. "One of the difficulties with outsourcing is that it is someone besides us that has control and

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we don't actually control the service that they provide, we offer training to them but we're not their bosses," said Garrett.

As with any outsourcing venture, there is always the danger of developing a relationship with a bad concessionaire, but with careful research and thorough contracts, a lemon of a partner can be avoided. "The quality of the relationship is critical and you should keep looking until you find someone you get along with and you know you can work with," said Brown. The level of control can be managed through the type of contract. A straight lease will have the least control, a joint venture has moderate control, and a management agreement will maintain significant control. If a golf course is looking to minimize the loss they currently struggle with then establishing a straight lease will transfer more risk to the contractor but will also decrease the maximum potential profit.

The issue of a loss of control can also be a good thing when managers who oversee both the golf operations and food and beverage services have little experience in the food and beverage field. "Outsourcing has been good because I am not a food and beverage person and I do not have that experience or exposure," said Takeda. Outsourcing can broaden the field of potential employees in managerial positions, as finding managers with experience in golf operations and food and beverage services can be a difficult task.

THE RIGHT FIT

The choice to outsource food and beverage services has many facets that must be examined carefully to make an informed decision. Focus, profit, communication, and control are four areas that may change with outsourcing, and the extent to which these changes occur depend on the golf course, their relationship with their food and beverage operator, and the past experiences of staff.

Outsourcing has had mixed results for golf course operators, so take the time to do the necessary research if you are considering outsourcing your food and beverage operation. This should include speaking with operators who have experienced the transition to educate yourself on both the pros and the cons before making the final decision. Outsourcing can result in good relationships and increased profits, and prevent an overload of work for people with little experience in the field, but keep in mind to have a solid contract in place to protect your facility.



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