

## **FOCUS ON PROFITS:** ***Impossible Dream or Achievable Reality?***

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Is a profitable food and beverage department an impossible dream? To some hoteliers, it may seem so. For many years, I have been advising hotels on how to operate a profitable food and beverage department. In this column, I will share with you strategies that will help you make your food and beverage department profitable. Each column will address a specific area of food and beverage management such as cost control, procurement, scheduling, and productivity to help you make profit an achievable reality. These will be brought to life with examples of success stories and best practices from hotels around the world. In this first column, I will set the foundation for future columns by presenting a management framework for successfully operating a food and beverage department. On that note, let us begin.

There was a time when hotel food and beverage was profitable; when hotel restaurants were exciting and vibrant centers of social activity and cuisine. This changed with the explosion of full service, independent restaurants in the 1980's. As a result, hotel customers today look to independent restaurants rather than hotels to provide them exciting, creative, and innovative dining experiences.

Unlike hoteliers, restaurant industry innovators have embraced new approaches and have become sophisticated marketers. Ironically, just when hotels began to address the threat from independent restaurants, the market dynamics changed again.

In the 1990's, grocery stores and other retail businesses opened in-store restaurants and take-away operations, serving sophisticated cuisine, thus giving hotel guests more options to service their food & beverage needs. These new forms of competition have led to increased market segmentation, with highly sophisticated consumers. Hotel guests are no longer willing to patronize generic hotel restaurants. Their expectations are far greater. At the same time, hotel food and beverage departments are competing with other profit centers within the hotel for return on investment. As a result, developers have become increasingly disenchanted with investing in food and beverage operations.

So what can be done? While some hotels are abandoning their food and beverage operations, this approach may be myopic. A more strategic option is to become competitive with local markets. This will require adopting a fresh new approach. I believe the time has come for the hotel industry to reinvent itself and implement a new paradigm for their food and beverage operation.

The traditional food and beverage paradigm utilizes a sequential six-step process: purchasing, receiving, storage, issuing, production, and sales. Historically, this was a logical approach. Over the years, a complex web of systems and procedures was developed for each step in this process. These systems and procedures evolved into industry customs otherwise known as standard operating procedures (SOP's). This traditional paradigm survived the test of time. It created an effective system of checks and balances in an era where directive style management was prevalent. It also reinforced a traditional belief that inspection and control were necessary ingredients for success. As a result, many companies developed SOP manuals and mandated managers to enforce them.

In today's environment a system of management that relies solely on a directive style with inspection and control as its focus is doomed to failure. The SOP mentality is no longer productive. With unemployment at five percent or less in most regions of the country, prospective employees can pick and choose employers. As a result qualified and competent individuals are increasingly rejecting work environments where SOP's rule and inspection and control prevail. Today's employees want to be hired not just as another "warm body" but for their intelligence and contributions. They want to participate in the governance of the business, to be "in the know" and to have control. At minimum, they want to influence their work environment. Unfortunately, many food and beverage managers are products of the antiquated, inflexible and employee unfriendly SOP system and unwilling to change.

Hotels that don't address these basic employee needs, face low morale, high turnover, low productivity, and little or no creativity. Tradition, quite often becomes the biggest inhibitor to food and beverage profitability.

The time has come for food and beverage operations to reinvent themselves. A critical component in this process is to reevaluate the traditional food and beverage cycle (core food and beverage processes) and eliminate irrelevant and redundant systems. This is the first step towards the hotel industry becoming the "industry of choice" and food and beverage positions the "jobs of choice". Further steps include paying a living wage, providing a professionally satisfying environment, and nurturing individual empowerment.

This process requires that food and beverage operations carefully and thoughtfully transform their systems and procedures. The following are critical components:

Procedures that (1) enhance their customer's experience and/or perception of value, (2) enable their employees to do their jobs better or (3) increase their department's profitability.

Procedures that generate usable information.

Information that is collected be disseminated to all employees on a timely basis.

Employees with access to the information they need to effectively do their job.

Every member of the organization empowered to do their job with appropriate authority relative to their responsibility.

Employees held accountable for their empowerment.

Relevant systems in place to provide timely feedback on performance based outcomes.

Successful outcomes recognized and rewarded.

With this as a foundation, I will focus future columns on specific facets of food and beverage operations. They will analyze existing food and beverage systems and present practical ideas to optimize your profitability.

It takes sense to make dollars – Lets Focus on profits!!