



## Casino F&B Outlet Management Options

by Craig Pendleton

**F**ood and beverage is a key element of any casino offering. Most casinos choose to self-manage and operate their food and beverage outlets themselves. This practice has become increasingly challenging especially for casinos that are located away from large cities and towns. Remote geographical locations can pose significant staffing challenges.

Some operators have made the move to contracting out their food and beverage operations to a third-party and others have taken a hybrid approach by operating some of their outlets and contracting out or licensing the remaining ones. Every approach has pros and cons that should be considered before continuing current practices or considering the potential benefits of a change in management strategy.

### Self-Operation and Management of all Food and Beverage Outlets

#### Pros

*Total control:* The casino has control over all aspects of menu, service, pricing, and specials.

*More flexible and nimble operations:* Changes can be made immediately, with little delay.

*Seamless staff and guest experience:* All staff members work for the casino, allowing casino-wide guest service standards.

#### Cons

*Self-operation may be an area in which the casino is not successful:* The casino resources may be stretched thin and self-operation along with the management of food and beverage uses resources in staff and management that could be better applied to gaming operations.

*Complicated:* Operating food and beverage is complicated with little margin for error. In some cases, the option for a casino to not have the responsibility for daily operations can be beneficial.

*Low margin:* Most casino food and beverage operations run at a loss with low margins of return.

*Inconsistency:* Self-operation requires a high level of expertise and is not always delivered by casino operators due to the constant change of staff and management.

*Frequent change of leadership:* When challenges exist in finding staff, this generally also includes management turnover.

### Contracting Out All Food and Beverage Operations to a Third-party Provider

#### Pros

*Less complicated and no longer the problem of casino management:* The daily operations and success of the food and beverage outlets is no longer a responsibility of the casino.

*Less staff overhead:* Often a contracted third-party operator has the structure and expertise to operate more efficiently, utilize a greater level of technology and can operate with less staffing.

*Can be more profitable:* Third-party operators not only have the ability to run staffing levels more efficiently, but can also bring large group purchasing and rebate pricing for the casino at lower rates than the casino can receive themselves as self-operators.

*Corporate level oversight from experts who specialize in running food and beverage operations:* This is specifically what a third-party management company does. They bring a high level of food and beverage operational expertise to the casino. Effectively, the casino food and beverage operations are run as part of a major corporation with many levels of support and oversight.

*Liquor liability may no longer be the casino's responsibility and possibly result in lower premiums:* Third-party operators may assume the liquor liability for the property, and due to their size, can often negotiate a lower rate for the liquor liability insurance policy paid by the casino.

*Staff Development training utilizing national corporate resources:* Large third-party operators bring expanded resources to the casino in the areas of training, development, data analytics and marketing.

*Constant technology and innovation research resources from contractor corporation:* Third-party operators are continuously searching for new technology and innovation that can make all of their contracted operations more efficient and more profitable. The casino benefits from these resources.

*Emergency resources:* With self-operation there may be periods of time between management changes when outlets are forced to run without a manager. A third-party operator can provide a temporary manager from their pool of supervisors during transition to provide seamless operations and oversight.

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## Cons

*Two sets of employees working in the casino that may result in less staff loyalty:* Food and beverage staff work for the third-party operator, not the casino.

*Can be less profitable:* Typically, a third-party contact includes a service fee. This fee can be a substantial amount. Conceptually part of this fee is paid for with the improved and increased operational profits delivered by professional management. The savings may not result in a sufficient level of improvement to fully pay for the management fees. When profits exceed determined levels defined by the contract agreement the operator and casino share these profit dollars. The structure of the management agreement fee and compensation can be different in each situation.

*Less flexible:* Senior management of the third-party operator may not always be onsite. The process for change may be slower to affect new changes in marketing promotions, rewards programs, pricing/discounts etc.

*Casino customers/players may not understand the differences of who works for who:* The challenge exists of creating a seamless guest service experience for casino customers when there are two groups of staff member teams.

*Contractor may operate more for their benefit than for the casino:* A third-party contracted operator is in the business to make a profit. It can be a challenge to balance the benefits and profitability of the third-party operator and the casino.

*Difficult to break contract:* In the event of undesirable results with a third-party contracted operator, it can take a considerable amount of time to cancel an agreement due to non-performance or other areas of contract breach and return to self-operation or change to another third-party management group.

## Hybrid Solution: Self Operation of Some of the Food and Beverage Operations and Contracting Out the Rest

Some casinos opt to self-manage some of the simpler outlets (coffee shop, quick serve/fast food, and in some cases even the property liquor operations), and then contract out the remaining more complicated outlets. At times, there may be a third-party contracted to run the casino hotel along with the aligned food and beverage operations for the hotel area. Meetings rooms, conventions, conferences, room service, lobby coffee shop, lobby bar etc. may be included in this contract. Chain restaurants/franchises or recognizable brands may also be contracted out.

## Pros

*The casino can run the simpler outlets such as quick serve /fast food outlets, coffee shop/café and beverage while contractor runs the rest:* The casino operates the outlets that they are capable and comfortable running. Often, these are the outlets that the weekday casino regulars frequent. The responsibility for the more complicated outlets may be contracted out and are then not the responsibility of the casino.

*Recognizable names may attract new customers to the casino who are followers of the restaurant brand:* Name brand restaurants and bars attract their own customer base to the casino, providing an opportunity to convert these dining customers into gaming customers.

## Cons

*Less flexible:* Cannot mix staff members, inventory, facilities, licenses between the self-operated casino outlets and the contractor resources of the outlets that are not self-operated.

*License fees are often expensive:* Fees for unique concepts and names can be high.

*Balance of staffing between casino employees and contractors:* The casino and the third-party operator may compete for the same staff members in a tight labor marketplace.

*Confusing to staff and customers:* Without a seamless integration of staff between the different operators customers may not understand different policies and operations.

*Name brand restaurants may not draw players with gaming value to the casino:* The recognizability of a brand or name may not necessarily draw customers to the property that have gaming value. Brand name outlets may only provide increased amounts of food and beverage customers.

## What to Do

Every casino's business is constantly evolving. What worked in the past may not be the best option today. Ultimately, the optimal fit of food and beverage management is different for each casino. ♣

*Craig Pendleton is President of National Foodservice Consulting, Inc. He has consulted with tribal casinos for the past 26 years. He can be reached by email at [natlfdsrv@yahoo.com](mailto:natlfdsrv@yahoo.com) or visit [www.nationalfoodserviceconsulting.com](http://www.nationalfoodserviceconsulting.com).*