



Rethinking Food & Beverage

by Andrew Klebanow

Of all the issues facing casino leadership, there is no greater quandary than solving the food & beverage equation. Restaurants in particular, present a host of issues. They are notoriously expensive to operate, consuming copious amounts of labor and product costs. Rarely do individual outlets post a profit and departmental profit is often dependent on beverage sales. High levels of customer satisfaction can be difficult to achieve, given that many players visit the same restaurant outlets on each visit, and in turn get bored with the menu selection. Perhaps the hardest aspect is balancing the needs of very frequent players while using food & beverage as a tool to attract new customers. Given all this, it may be time for casino operators to rethink their food & beverage programs.

Both commercial casinos in regional markets and Indian casino operators have historically adopted the same basic restaurant strategies, offering a buffet, three-meal room, quick-serve outlet and perhaps a more upscale steakhouse/special occasion restaurant. Before undertaking a wholesale redesign of food & beverage outlets, it is important to understand how this basic suite of restaurant products came to be and then ask if those products meet the needs of the business and the preferences of today's customers.

Putting Casino Restaurants in a Historical Perspective

The vast majority of casino restaurant programs evolved from those offered at the country's first casinos in Las Vegas and Reno. In fact, it was at those casinos that the buffet concept was first developed. Casino marketing programs relied in part on a steady stream of buses to deliver day-trip customers from California to their properties. Customers arriving after a five hour trip had only a limited amount of time to gamble, usually four hours. To quickly feed large groups of customers, arriving in waves of 48 people at a time, the buffet was introduced. The buffet allowed the casino operator to quickly seat and feed large groups, enabling them to get customers on the casino floor in a timely manner. Casino marketing departments also appreciated the fixed price of the buffet, which allowed them to accurately budget costs.

A similar strategy was adopted by casino operators in Atlantic City when casino gambling was introduced there in 1977. In fact, those operators relied far more heavily on bus customers than Nevada casinos since many people residing in New York City and Philadelphia simply did not use automobiles to get around. They took a bus. As such, each casino would have dozens of buses arriving during the course of the day and the buffet was the most effective place to "process" these groups of players.

After the passage of the Indian Gaming Regulatory Act in 1988 and the introduction of riverboat casinos, operators adopted the buffet concept – not so much because it fit into an over-arching restaurant strategy, but because that is what had historically been offered. Even casinos that did not have bus marketing programs included buffets as part of their restaurant programming. No casino designer questioned the concept. It was simply included in the masterplan. This in turn fueled customer expectations. After experiencing them in regional markets, customers began to expect a buffet as part of the casino experience.

By the 1990's, as casinos started to compete for a market's gaming customers, the buffet concept evolved into larger operations with live-action cooking stations, elaborate dessert bars, and a variety of international offerings. As the products evolved, costs increased while restaurant pricing lagged. The net result is a dining concept that rarely posts a profit and usually serves as a burden on property performance, or what is euphemistically called, a "loss leader."

Casino operators began to re-think the buffet concept after the great recession. Facing flat or declining gaming revenues, non-gaming revenue centers were examined. In markets throughout the U.S., operators began to reduce their buffets' operating hours or days of operation. What some discovered was that by closing the buffet three days a week or even four, losses were substantially reduced. Following this logic, some casinos took the bold step of closing their buffets completely and re-imagining those spaces into new dining concepts, designed both to appeal to customer tastes and to operate profitably.

The Three-Meal Café

The three-meal café was another dining concept first introduced in Nevada. Its purpose was to provide gamblers with a wide assortment of meal options, 24 hours a day. The concept was designed to cater to the dining whims of gamblers when they were ready to eat. Meals were served quickly in order to get players back on the floor.

Like the buffet, the three-meal café was adopted by Indian casino operators and like the buffet, it too evolved. In order to meet the needs of diverse ethnicities and tastes, menu selections grew. As those menus grew, so did product and labor costs. Also, the time it took to get a customer seated, fed and back on the floor, commonly referred to as cycle time, began to increase along with the complexity of the menu. Today, it is not uncommon for cycle times to approach 60 minutes, keeping players away from the gaming floor and frustrating customers.

The Quick Serve Outlet

Even the quick-serve outlet had its roots in Nevada. Often located near the casino's race and sports book or bingo hall, these restaurants offered a place where players could grab a quick bite to eat and get back on the gaming floor. Their menus were grounded in traditional delicatessen offerings. These too have evolved and now include Asian soup and noodle dishes, grilled sandwiches and pre-packaged items. The concept continues to work in many markets.

The Steak House/Fine Dining Room

Another concept first introduced in Nevada casinos was the fine dining room. The restaurants were developed as a place to reward players and to ease the sting of a big loss. Fine dining restaurant themes varied: Harrah's Reno was famous for its steakhouse. Harvey's Lake Tahoe had a gourmet room on the rooftop of the hotel tower. The Las Vegas Hilton had Le Montrachet. The Barbary Coast's fine dining concept was called Michael's, and was one of the finest and most expensive restaurants in Las Vegas. Some casinos had multiple fine dining concepts including Northern Italian, French and a steakhouse. These were elegant restaurants, with maître d's and captains clad in tuxedos. Many dishes were prepared or carved tableside. The fine dining concept was also introduced in many Indian casinos to serve as a place to reward the casino's best customers, albeit in more casual dining environments.

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Given the history and evolution of restaurants in the casino industry, it may be time to rethink the kinds of products currently offered and if they meet the needs of your customers. What must also be asked is, can food & beverage be used as a tool to attract new customer segments that would gamble recreationally as part of a larger dining and entertainment experience? Would people visit a casino to have a unique meal, enjoy a craft beer or varietal and then walk into the casino? Can the right mix of restaurants succeed without discounting?

The place to begin any thoughtful and productive discussion of altering a casino's restaurant program is to start by talking to customers. This is achieved by bringing groups of players together under the banner of customer insight panels. Modeled after traditional focus groups, small groups of players are queried about their levels of satisfaction when it comes to dining in the casino. These groups should be further segmented by theoretical win tier because the highest tier, afforded generous meal comps, will tell a different story from those that have to pay for their meals. Regardless of the player segment, customers will tell you what is wrong with your restaurants and maybe what they would like to see.

With initial feedback from core customers, new restaurant concepts can then be formulated. These concepts can vary by

geography. Every region of the country has its own preferences. A wine themed restaurant may resonate well in California while a brew pub may be more appealing in Michigan. The challenge in developing a new concept is not only to identify the right mix of restaurants but to produce products and experiences that are superior to independent operators in the area as well as nationally branded chains.

Develop Food & Beverage Objectives and Strategies

The next step is to develop objectives and strategies. What does the casino hope to achieve with a new dining concept? Is it to attract new customers to the property? If so, how many and what age cohort? Is it to reward existing players? If so, are there other ways to achieve that goal without resorting to building a new restaurant?

Test It and Price It

Once a new restaurant concept is proposed, it needs to be tested. Recipes and menus need to be developed and costed out. Can the recipes be produced in a standard restaurant kitchen? What kinds of specialized equipment are needed? How long will it take to prepare each dish? Can kitchen personnel be easily trained to produce those new dishes?

Can the new restaurant operate profitably? The single greatest mistake a casino operator can make is to not accurately cost out each item on the menu, forecast sales and price the menu for profit. If the new restaurant cannot clearly show a profit on paper, it likely will never show a profit after opening.

Then, the recipes need to be tested with customers, again in a group setting. The casino should test menu items with both core customers and diners living in the area who are not morally opposed to gambling. Would a casual diner visit a casino for that dining experience and would a loyal player accept change? It is a lot wiser to spend \$30,000 on consumer testing than to invest \$2 million repurposing a buffet into a new concept only to discover players and potential customers do not like it.

Casinos have long relied on the basic product mix that includes a buffet, 3-meal café, grab n' go and upscale restaurant. Given dining trends in North America and the growing desire for people to go out and have fun, new restaurants can invigorate casino floor traffic and attract people who would not otherwise visit a casino. If your current mix of restaurants are not making money or no longer satisfy the needs of your customers, it may be time to rethink your food & beverage program. ♣

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