

Tribal Casino F&B in the 2020's and *EM*SOURCING: (*EM*bedded re*SOURCES*)

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QUALIFIER:

- If you have 4,000+ slots at your facility- **THIS ARTICLE IS NOT FOR YOU**
- If you have leased out 50% (or more) of your F&B operation – **THIS ARTICLE IS NOT FOR YOU**
- If your F&B mystery shopper scores average higher than 90% - **THIS ARTICLE IS NOT FOR YOU**
- If you are making a profit from your F&B operation/department, (after applying all the traditional costs a leasee or a third party would pay to operate at your facility) -**THIS ARTICLE IS NOT FOR YOU**
- Now for the 200 hundred or so Native America resorts and casinos that did not meet the criteria above, and the several hundred executives, managers, council and board members associated with them – **THIS ARTICLE IS FOR YOU**

As a food and beverage executive with a long history as an operator and consultant working with Native American Tribes at resorts and casinos throughout the United States, I have had the benefit of learning and studying the history of Native American Casino F&B since its beginnings. This article introduces the *EM*SOURCE concept which is delivering tremendous success in the industry.

There is a common parable that is shared by many Native American Casinos about the food and beverage department which goes...

When our Tribe was first approved for gaming we sought out a building filled it with slot machines and opened the doors. Players came and the doors never closed. We started with a snack stand. Later we added a buffet (or restaurant), and still later we added alcohol service and bars. Today we are in the third generation of the original building (or site), and we have a hotel, a meeting place/showroom, a pool, a nightclub/bar, a steakhouse, and other food outlets. F&B Directors have come and gone, their

transitions sometimes coinciding with Casino GMs coming and going.

Whenever a new F&B Director would arrive we learned “what we were doing wrong”, and the new Director would set forth implementing immediate changes to our concepts or to the style of the food and beverage operations. For the next six months we would make physical and systems changes, for six more months we would adopt and roll out the changes, after a year the results (good and bad) peaked and we began slowly sliding back toward the way things were before. About that time (15 to 18 months or so) the F&B Director would leave for a bigger and better opportunity elsewhere. The team members (many of them tribal members) who have stayed through thick and thin had to step in and lead (maintain) the operation.

Three to six months would pass and a new F&B Director would join the team. He/she is surprised by how “everything is being done wrong” and puzzled as to why the most recent changes were even implemented in the first place.” So begins Groundhog’s Day for the F&B staff as they set forth on the next 18-month journey.

As part of a presentation a few years ago I shared this parable to a tribal council and as I finished, a puzzled councilwoman asked me who had told me about their Casino’s specific situation?

N.A. Gaming Industry F&B Progression: F&B Outsourcing (leasing and management agreements)

In the early 2000's as the casino and resort F&B offerings and operations grew and became more complex Tribes began to consider "outsourcing" to help address these issues. Results showed that as the F&B department roster grew, too often the annual operating losses grew as well. After many years the Tribe's casinos were larger and their food losses were even larger. And, it was often hard to fully understand the extent of the situation because many Casinos operated with a single F&B P&L. This single P&L often co-mingled all restaurant outlets with complimentary beverages and the team member dining costs. Many Tribes began to recognize that no actual food service expertise existed in the Community. They also recognized that in order to be competitive, they required significant growth of F&B variety and services to meet expanding guest needs. So, they turned to outsourcing to bring in F&B specialists (a vendor) to focus on the needs of the operations. This often set an expectation of a F&B "profit". These outside companies can buy better, and be more efficient, and bring with them systems and controls. In some cases, they could also attract franchise brands who were reluctant to do business with Tribes.

Early outsourcing attempts involved leasing F&B casino spaces to a restaurateur, or a concession company with mixed results. In the largest casinos with huge attendance the leasing model was (and is) a win-win for the casino and the lessee. In mid-size to smaller casinos leasing is clouded by the needs of a gaming facility -(comp participation rates, points redemption, players club discounts), and allocated CAM charges.

Before the B.I.A. HEARTH ACT of 2012 it wasn't as easy to get these outsourcing deals done. National and local regulators were suspect of having outside F&B firms operating in the casino and they created many regulatory hurdles which drove off most third-party companies. Additionally, few companies understood how to do business in Indian Country under sovereign laws. From the outside the gaming world providing casino F&B services seemed too risky.

After a few more years the industry considered a management fee approach for F&B outsourcing. They followed a model used in gaming management as well as food & beverage 3rd party management contracts that are popular in hotels and convention centers.

By outsourcing to an F&B management company, the vendor employs the staff, brings in their systems and economies. The vendor has little to no build-out investment or risk, so the fees they earn tend to be lower. This provides a better financial return to the casino/Tribe. The Tribe lessened their risk offering five-year contract terms. The management fee vendor has mitigated risks but still operates under sovereign law which can shorten the life of their contract therefore not allowing the vendor a full return on its efforts. Business terms aside, casinos/Tribes have also struggled moving their team members over to a 3rd party, especially if they believe they will be taking back the services in the future.

Then there are the F&B Consultants. Throughout the nearly 30 years the Native American gaming industry has operated, there has been a large roster of F&B consultants. The joke about consulting goes: What's the difference between a VP of Food & Beverage and a Food & Beverage Consultant? The answer is they both have good resumes but the VP has a job.

F&B consulting will always have a place in the industry, but its effectiveness ranges widely. Consulting reports are educational with findings and recommendations for improvements. Some suggested concepts and initiatives which will fail because the onsite team could not (or would not) execute the plan. The consultant may have the best laid plans, but no real influence on the execution. There must be a better way.

SelfOp with Consulting vs EMSOURCING: the evolution of Embedded reSOURCES

The key to **EMSOURCING** is embedded teaching and coaching by qualified management on your F&B team. **EMSOURCING** is different than traditional training in that the embedded manager is leading, co-leading, and mentoring the operations efforts full time. In some sense, **EMSOURCING** is the opposite of "SELF-OP" since the embedded manager (a 3rd party employee) is introducing and executing a strategic plan and successful F&B operating system and controls. - **EMSOURCE** recognizes that Tribal casino food and beverage success is never based purely on financial performance. More importantly, improved guest experiences delivered by a well-developed existing F&B team are the desired results. Once managers and supervisors build consistency and become successful through **EMSOURCE**, the next step is hands-on observation and reinforcement by qualified experts.

There is an old saying in food and beverage "You get what you inspect, not what you expect"

In tribal gaming, the casino general manager or executive management team will follow up on monthly F&B P&L performance, but often the top executives do not have the specific experience or subject matter expertise to drill down to the root causes of food and beverage challenges and problems.

Dr. Don Zillioux Chief Scientist at Strategic Development Worldwide says: **"It takes 12 to 18 months of daily oversight to ingrain successful daily operations, and more importantly to impart the wisdom and decision-making skills to the onsite managers and supervisors."** The **EMSOURCE** building blocks begin with shift control and supervision for each shift of the day, and every day of the week. The team learns how to build successful weeks into successful months, as indicated by the F&B P&L results each month. The system provides for operational consistency which maintains through any staff changeovers. **EMSOURCE** can also provide direct access to franchise brands who are otherwise reluctant to do business with Tribes.

Once the F&B team is consistently engaged and executing the desired guest experiences and financial results, then during the next 18 to 36 months (sometimes less) **EMSOURCING** promotes "aftercare" which transitions out the onsite executive to weekly operations calls, monthly P&L reviews, and quarterly onsite visits for spot retraining and ongoing evaluations and recommendations. This is the gateway to verified and sustainable performance for the long term.

By month 36 the successful leaders have gained the knowledge and experience to budget, forecast, and lead the team members and the entire F&B program into the future. They have also developed a skilled subordinate F&B team capable of year-in and year-out performance with the adaptability to successfully grow or change the programming as needed.

Most Tribes I know embrace a mission of operating their "in house" F&B and Hospitality services. They envision a well-run department led by knowledgeable and capable tribal managers and supervisors, but they also acknowledge they are not there today.

If this statement describes your casino or resort you may find *EMSOURCING* your solution to future hospitality success.

Virtual Hospitality Group – your *EM*sourcing Leader

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