



Casino Restaurant Pitfalls

It is a common sight. It is 8:00 p.m. on a Thursday night and the casino is busy. Machine occupancy is at 60%; most of the table games are open but the restaurants are nearly empty. The buffet had a short line an hour earlier but the coffee shop is quiet and one of the waiters from the gourmet room is standing in front of the restaurant, rocking on his heels. His dining room is empty.

When this situation becomes evident to senior leadership and they ask for reasons why their restaurants are not busy, there is usually no shortage of finger pointing. The food and beverage director will complain that marketing does not give his restaurants enough advertising support. The casino manager will mention that his customers tell him that the restaurant prices are too high. Other managers who dine in the casino's coffee shop will say that they see better quality and value at other restaurants in town and the service seems slow. More often than not, the solution is to discount the meals.

The problem with casino restaurants has little to do with advertising, price or suspect food quality. Rather, it has everything to do with meeting the needs of the market. In casinos, markets tend to be comprised of gamers, whether they play slots, tables, bingo or poker. All gamers have certain wants and needs when it comes to dining in a casino. Understanding those wants and needs allows managers to design food programs that meet them.

The Coffee Shop

The coffee shop's primary purpose is to offer a variety of menu items (breakfast, sandwiches and hot entrees) in a casual atmosphere where the food is served promptly. Gamers go to coffee shops to satisfy their hunger. They do not want to linger and wait. They want to eat and then get back into the action. In other words, the primary mission of the coffee shop is to get the customer in and out as quickly as possible. Any three-meal restaurant that fails to consistently deliver on this will fail in its mission. Cycle times (the time from when a check is opened to the time it is closed by the cashier) should never exceed 45 minutes. If the restaurant staff cannot greet a customer, take their order, prepare and deliver their meal in less than 25 minutes, they are not meeting the needs of their customers.

The Buffet

Why do casinos have buffets? Most casino planners rarely ask that question before building them. They simply assume that, since it is a casino, it must have a buffet. Buffets however, exist to serve very specific purposes. Buffets are ideal

to process a large number of people quickly. If a casino has a bus program then it can seat and feed forty-eight people very quickly and get them back on the casino floor.

Buffets, if done right, hold great marketing appeal. However, designing and operating a buffet takes a lot of capital, a lot of planning and a large operating budget. Buffets in turn need a consistently high volume of traffic in order to be successful.

Buffets that are ill-conceived with too few capital dollars are doomed to fail. Often a casino's managers will attempt to replicate the buffet concept by lashing together an array of portable salad bars, steam tables and banquet tables with chafing dishes. The serving areas look unappealing; the food cannot be kept at temperature and operating costs tend to be very high. These half-hearted efforts never work and casino marketing ultimately is forced to "paper the room" with discount coupons in order to drive traffic.

While buffets have a wide appeal, they quickly grow old to those people who patronize them often. Menus tend to remain static and, for many casino customers, the excitement of multiple food choices wears off after a few visits. Also, older customers quickly realize that they cannot eat large quantities of food all the time without negative consequences. It is for these reasons that local gamers with high visitation levels sour on buffets so quickly.

The Gourmet Room

Virtually all casino fine dining rooms offer outstanding food, excellent service and beautiful surroundings. The reasons these rooms are empty have nothing to do with the food or the service. Rather, the market does not demand fine dining in a local casino establishment.

Most customers, whether they be from the Midwest, Southeast, Northwest or anywhere in the United States would rather go to a casual, mid priced steak house where the check average is \$22 than go to a casino gourmet room and pay \$38 for an entree. While fine dining may sound like an effective marketing tool to service the casino's premium customers, these rooms fail because the vast majority of American gamblers do not find these dining experiences appealing. Price is only one issue. Even those customers whose gaming worth allows them to dine in these rooms for free every night only do so on rare occasions. They simply prefer the style of service, the ambience and familiarity of nationally branded chains over an intimidating gourmet room. As a rule of thumb, if the maitre d' of your fine dining room is the only person in the county wearing a tuxedo, your restaurant might be missing its market.

"All gamers have certain wants and needs when it comes to dining in a casino. Understanding those wants and needs allows managers to design food programs that meet them."

Building Over-Capacity

An often overlooked problem in casino dining is the issue of over-capacity. Does a casino really need a dedicated buffet, 3-meal coffee shop, fine dining room and a food court? Does a casino with 1,000 slot machines really need 400 restaurant seats? Many casinos simply offer too many restaurant seats in relation to the number of gaming positions. When a casino is designed with too many restaurant seats, all restaurant operations struggle to break even.

What is the right ratio? As a general rule, unless demand for dining proves otherwise, start with a ratio of one restaurant seat for every four slots. When demand exceeds supply, add more seats in the form of additional dining outlets.

Understand Customer Wants and Needs

While the concept of a fine dining room might hold

appeal to casino leadership, rarely does it have broad appeal to the market. If a coffee shop's menu is too complex to deliver all menu items promptly, it is not meeting the needs of its customers. If a buffet needs to be discounted in order to generate enough covers to justify payroll, then it too is missing its mark.

Ultimately, each casino must carve out its own restaurant strategy. That strategy must be predicated, first and foremost on meeting its customers' fundamental wants and needs. The first step is understanding them. The next step is to deliver the products and services that meet those needs. ♣

Andrew Klebanow is principal of Klebanow Consulting. He can be reached at (702) 547-2225 or by email at Klebanow@att.net.

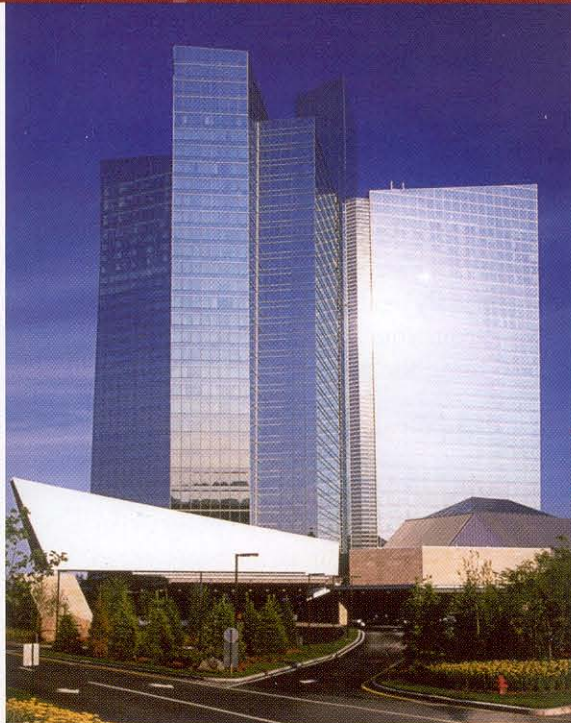


Information Management Network

Public Finance Conference Division



Global Organizers Of Institutional Finance & Investment Conferences



Information Management Network's
Third Semiannual
**Native American
Finance Conference**

SUMMER '05

Mohegan Sun

June 27-29, 2005

Uncasville, CT



For More Information, Please Visit:

www.imn.org/esb761/igmm/

Email:
mail@imn.org

Call:
212-768-2800 Ext. 1

Fax:
212-768-2484