The Economics of Catering

A Catering Institute Original Essay
by Wayne Alexander and Erle Dardick

When organizations leverage existing assets to capitalize on off-premise consumer trends, they capture additional opportunities to build profits by feeding customers where they live, work and play. Those existing assets are found within the four walls of existing restaurant brands in physical facilities, equipment and prep tables, and in the existing human capital investments that are producing food and beverages. Companies also are successfully leveraging the assets currently found within the corporate support center in training, marketing, design, technology, operations and human resource departments.

When these corporate support resources are successfully aligned with centralized catering support services, coupled with individual restaurant assets, multi-unit restaurant operators are realizing 40% to 45% net cash flow from total catering operations. As a result, strong flow-through to cash on double-digit same-store-sales growth dollars are being captured today with contributions to total company EBIDTA in excess of 50%.

These sales and EBIDTA increases are creating incredible value for both franchisee and company stakeholders in companies whose leadership is committed and aligned to progressive and maturing three-year catering strategy platforms.

One by one these companies are changing the balance sheet in the American multi-unit restaurant environment in a most prolific way.

To gain further insight into the economics of centralized catering, let's examine the resources typically available to multi-unit restaurant operators and explore how these assets are leveraged to maximize the catering investment.

People

By gathering online and phone orders, in advance, restaurant operators are given the opportunity to scale catering production within the daily in-store operating routine. Order processing systems that provide consolidation of production required for catering further enhances the efficiency of on-site labor by allowing the same prep team to achieve catering production within their daily work, thus capturing maximum team productivity. This also strategically positions restaurant management to only grow labor when high-ticket transactions produce growing catering sales.

Labor efficiencies are further realized as companies add centralized catering support. This support is offered through catering call centers in which a small group of trained and managed catering specialists handle the volume of incoming phone orders with precise, time efficient order processing. When catering orders are handled off-site, the restaurant team is afforded the opportunity to focus staff on the in-store guest experience.

Further control of the catering experience is achieved through the management and monitoring of the technology and metrics not typically available to onsite restaurant order processors. These catering metrics revolve around the average time to answer, predictable day-part order volume, and the resulting staffing efficiency that comes with off-site call center management.

Inherently, efficient service produces cash flow enhancements by eliminating conflicting priorities for hourly staff in the restaurant, reducing the need to train multiple restaurant staff members to take orders, or worse yet, not train them at all. Small teams of order-taking specialists excel at one thing – building consistency into the order

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process, which creates a unique brand experience and achieves the ease of ordering processes. When executed properly, the ability to drive order frequency with these catering consumers is unmatched by companies trying to achieve the same result.

When it comes to on-site staff, enabling them to tell your catering story enlists the largest restaurant investment – labor and staff – to create awareness of what your restaurant delivers: a clearly demonstrated commitment to catering that is consistently communicated.

Marketing Assets

Does it cost anything more to synchronize the deployment of catering messages and direction within the field? The short answer: No.

Marketing teams can help create awareness about catering and delivery programs by including the 1-800 number and the catering web URL with a simple "we cater" or "we deliver" message in all brand marketing and advertising communications.

To really take this marketing concept to another level, smart restaurant operators will use existing in-store wall and counter space to announce the names of the companies receiving catering in their communities. In the process, the catering consumer trust and confidence, requisite for sustained catering sales growth, is visually communicated and reinforced.

Facility design teams also are creatively incorporating centralized phone, URL, delivery and catering visual communications onto doors, windows, awnings, umbrellas and other restaurant design elements to drive increased program awareness.

Additionally, existing marketing staff engaged in digital marketing campaigns can include targeted catering email campaigns along with existing social marketing and search engine marketing initiatives. This will further leverage existing marketing assets to grow catering sales while capturing efficiencies in both digital and traditional advertising mediums.

Finally, marketing teams that are handling and responding to guest services feedback can be merged with centralized catering support call centers to eliminate redundancies in organizations engaged in both support functions.

IT Support and POS Assets

When existing POS equipment is integrated with customer-facing online ordering catering solutions, and existing back-office computers are deployed to receive and enable order production, further efficiencies are introduced to the catering economic equation.

Catering software platforms should easily integrate into an existing POS system, requiring minimal financial investment outside of the initial investment. Most, if not all, catering systems are PCI compliant and can easily handle credit card transactions similar to in-store exchanges.

Additionally, it is found that most restaurant IT staffing resources can absorb catering software support services through a help line already handling IT support questions and problems.

Facility Assets

When catering menus are strategically developed around existing ingredient, equipment, and in-store talent, the advanced nature of most large orders will allow production within those assets.

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With off-premise average orders in the range of 12-20 people, existing kitchen equipment can be utilized for preparation, storage and production, particularly when catering software solutions provide multiple order consolidation into a single prep report, enhancing production efficiency.

The exceptional 500 box lunch order, or those larger orders that challenge existing space allocation, typically come with advance notice. This allows for day-part flexing or distribution over multiple restaurants. Restaurant management teams are creatively finding ways to flawlessly execute these occasional orders. Well developed and updated three-year strategy plans should examine and address expansion of key location facility and equipment needs so that growth continues unrestrained!

Capturing order size and patterns, coupled with order growth by location, positions leadership to expand facilities with precision and efficiency as demands grow with volume increases.

Using existing counter space in customer areas to stage pickups and deliveries is not only deploying the counter as an asset, it also provides tangible, visual messages to the consumer that you are "in" the business of serving groups and dedicated to executing large orders for both pickup and delivery. This activity causes customers to inquire about order placement and ask for menus. How beautiful is that?

Operational Assets

One of the most important, if not the most important existing asset to align and deploy, is the asset found in operational leadership within the existing organization.

From the executive boardroom to the restaurant prep room, focused operational leadership committed to flawless execution of catering is the key enabler for accelerated and sustained catering sales growth.

Those company's implementing long-term catering strategies are producing healthy results and changing the balance sheet of American restaurant chains, one company at a time. When the existing assets that have been examined here are maximized, the foundation for profitable and sustained catering sales growth and ROI is firmly established.

And when the measurement of catering execution is reported, reviewed and celebrated within the organization, while company leaders are held accountable for operational results, it's a win-win for all.

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The Catering Institute Team

About Erle Dardick

Erle Dardick is a 15-year catering veteran, business turn-around expert and author, and is best known for helping multi-unit restaurant executives create successful catering revenue channels. Erle founded MonkeyMedia Software to provide catering solutions to multi-unit restaurant operators. He also is the author of "Get Catering and Grow Sales! A Strategic Perspective for The Multi-Unit Restaurant Executive."

About Wayne Alexander

With 16 years of experience and a hands-on style founded in operations and servant leadership, Wayne has established catering as a sustained accelerated growth platform. Through sales force talent development, organizational alignment in the multi-unit franchised environment, centralized call center management, and program development, Wayne reaches catering decision makers at their time of need.

The Get Catering and Grow Sales!™ System

Looking for a proven turnkey solution for your restaurant catering business? Our Get Catering and Grow Sales!™ System provides proven strategy and education through the MMS Catering Institute™, while the MonkeyCatering™ software platform leverages operational efficiencies leading to flawless execution and increased profits. Get the book and get engaged.

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