
Case Study 2.....Cost savings that drop to the bottom line

Club 2 was in the 'Top 25%' for overall club profitability, however, it was in the 'Middle 50%' for departmental profitability. Upon further investigation, the CDOL system showed that catering and bar contribution levels were both in the 'Low 25%'. Conversely the gaming metrics were in the 'Top 25%' and overall overhead costs were in the 'Top 25%'. Strategically, this meant that the low overheads being achieved in the overall clubs operations and the profit from gaming operations were subsidising catering and bar operations.

Management used the information readily available on the CDOL system to determine the areas of weakness:

1. The Club's bar and catering gross profit levels were in the 'Top 25%', so there were no obvious concerns with bar and food pricing, portion controls, wastage, theft or buying arrangements.
2. The Club's catering and bar wages were excessive. For example, the 'Top 25%' of clubs recorded bar gross wages at 20.3% of bar sales, compared with the Club in question at 30.5%. Catering wages for the 'Top 25%' were 38.6%, compared with the Club's results of 48.2%.
3. The Club estimated that if it achieved 'Top 25%' in bar and catering wages, it would save almost \$420,000 annually in gross wages. The Clubs research confirmed that, while service standards at the venue were good, they were not excellent and members were not reaping the benefit of the high wages components. It may well be that the overstaffing situation was leading to poor customer service standards because staff were generally unchallenged in their roles.



The Club is implementing a strategy of reducing bar and catering wages by \$250,000 annually and channelling a portion of the saving into staff incentive and training schemes and other more highly valued members' benefits.

In this case, a relatively small investment in CDOL may provide the impetus for the Club to pursue potential savings in excess of \$400,000.