

# Determine Whether It'll Pay to Take on a Big Client

By [Karen E. Klein](#) August 02, 2013



Photograph by Getty Images

**Question:** I run a small, boutique catering business and I have an opportunity to create an outsourced food service business for a company of 400 that is opening a new cafeteria. I'm looking for insight on how to staff and price my service so it will be profitable for both my business and theirs. Can you provide some information that could be helpful?

**Answer:** Congratulations on your exciting opportunity. Before you jump into this new venture, however, you need to do some research and make some financial projections that will help you weigh the opportunity cost involved. That means you need to get a realistic idea of the annual profit this outsourced service business could generate for you and whether you could do better—with less hassle and investment—via another opportunity or by simply expanding your existing catering operation, says Gary Levy, a partner and hospitality industry practice leader at the Manhattan-based [CohnReznick](#) accounting firm.

“Run the math and think about what you want to make from your business and what this cafeteria business can generate. For instance, if you want to clear \$120,000 a year—and running this cafeteria will cost you \$20,000 a month—you’ll need to charge the company \$30,000 a month,” Levy says.

How do you begin making projections? Start by writing a business plan for the cafeteria operation, says [Barbara Lang](#), an author and consultant on food entrepreneurship and a retired Cornell University instructor. “Look for some catering software that will help with costing and projections,” she says, and “develop a cycle menu, emphasizing cross-utilization of procedures, equipment and ingredients, but still providing diversity.”

There is a long list of questions you’ll need to ask in order to make your projections, says New York-based restaurant consultant [Arlene Spiegel](#). Among them: What are the hours of operation at the cafeteria and what meals will you be expected to provide? Will you be shouldering your own transportation, insurance, and liability costs? How many employees eat at the cafeteria daily and how much are they willing to pay? Will you charge prices commensurate with what employees would pay to eat off-site, or will the company be subsidizing prices to encourage its employees to eat on-site?

Also, will you be expected to use company facilities exclusively, or can you prepare some of the food at your existing kitchen? This is a particularly important point, says Arthur Manask, president and chief executive of [The Manask Hospitality Group](#). “As a caterer, you have an advantage, possibly over more traditional food service contractors, in that you can provide food production support for some menu items that do not need to be cooked or prepared to order. Things like soup, tuna salad, and slicing meats and cheeses can be prepped in your catering kitchen and delivered daily to the café,” he says. “This reduces your back-of-house culinary staff because you can just do assembly and cook-to-order at the café, reducing your staffing, which makes your bottom line much better.”

Look at the bigger picture as well: What is the structure of the café arrangement? Will you be leasing a concession, and if so, for how long? Will you have to work with the equipment that is already on the company premises, or can you dictate the equipment you’ll need to enable your menus, asks [Robert Wemischner](#), a Los Angeles culinary instructor and author of four books on food-related topics.

A further potential boost to your bottom line could come from the opportunity you’d have to cater corporate events, both in-house and elsewhere. “If there’s a separate dining room for executives and conferences that is more in keeping with a boutique catering menu, that could be a way for you to generate substantial additional revenue,” Wemischner notes.

Look for information and advice at these additional resources as you put together your business plan: The [National Association for Catering and Events](#); the [National Association of College and University Foodservices](#); and the [Society for Foodservice Management](#).

Lang recommends you hire an experienced consultant to help you get started and network with some established foodservice contractors. “I would not work in a bubble if this is new territory,”

she says. The [Foodservice Consultants Society International](#), might be a good place to get referrals to consultants in your area. You can also network with established food service companies: This [site](#) lists contact information for top food service contractors from a 2009 survey. Good luck!

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