

# THE MANASK REPORT

## FOODSERVICE & GIFT SHOP NEWS

FOR MUSEUMS, ZOOS, AQUARIUMS, BOTANICAL GARDENS & HISTORICAL HOMES

### Operator Financial Hardships: Renegotiate or Not?

By: Arthur M. Manask

Catering events at cultural institutions have dropped 30% to 40% since September 2008, when the U.S. economy began its sharpest downturn in several decades. The result of the decline was a wave of contract renegotiation requests in 2009 continuing in to 2010.

Over the past year and in 2010, we helped many clients renegotiate with their foodservice operators, some of whom were losing so much revenue that they threatened to cancel their contracts if they did not get contract adjustments. If your foodservice operator has not approached your institution about revisiting its contract, don't be surprised if you hear from them in the near future.

The large downturn in catering revenue, which most foodservice opera-

tors rely on to supplement or underwrite their visitor foodservice operations, may make these requests quite legitimate. Many foodservice providers are asking for justifiable relief and getting it.

However, there are a number of issues you should consider if your foodservice operator wants to renegotiate the business terms of a contract you thought was settled years ago.

In the course of several contract renegotiations, we advised our clients to first require that their foodservice providers partner with them in positive efforts to cut costs and boost visitor participation. This is what commercial restaurant operators, similarly hurt by the economic downturn, have been doing for the past 18 months.

Operators may ask solely for financial relief rather than devising plans to increase customer count, improve service, increase participation (% of your visitors, staff, volunteers and members using the café/restaurant and likewise with catering for facility rental customer, group tours and others) and customer experience. Institutions should ask: What can operators (with institutional support) do to improve the effectiveness of their advertising, promotions and marketing? What

plans do they have to improve visitor excitement and perception relative to their foodservice?

Make sure that conversations with your foodservice operator include ideas about operational changes, right-sizing menu items and changing menu pricing (down), advertising, promotion, marketing and public relations in order to combat lost revenue from catering and visitor foodservice.

If, for instance, an average day sees 20% to 25% of your institution's visitors dining at the restaurant, ask your operator how they and you can boost that number to 25% or 30%. Setting and achieving that goal will provide financial relief to the operator without cutting quality or service. For every 100K annual visitors you have, if you can get an additional 5K dining with you at, say \$12 per person average check, that adds \$60K top-line gross revenue; at least \$10K of that drop directly toward bottom-line profitability.

It is important to impress upon your foodservice operator that while some of the contract changes they are requesting may be valid, they also must make efforts to grow top line sales, change/modify internal operating processes (not to the detriment of cus-

*(Continued on Page 2)*

#### Inside This Issue:

<b>A Healthy Profit for McWane Whitney Museum of American Art</b>	3 - 4
<b>The Guggenheim</b>	3 - 6
<b>Hot Trends</b>	3 - 6
<b>News Briefs</b>	5 - 6
	7 - 8

## Operator Financial Hardships: Renegotiate or Not?

(Continued from Page 1)

tomer service, of course) and mitigate losses in order for their operations to become more profitable.

If you agree to discuss financial relief in conjunction with improving operations, it is likely that the operator will request a reduction in the commission percentage they pay to your institution on all sales. They may also ask for a reduction or elimination of any minimum annual guaranteed commission that applies.

Another request we have seen quite often is for contract term extensions that will change or modify the terms of the operator's capital investment amortization. For instance, if the operators invested \$500,000 at the outset of the contract, they may have originally amortized that amount over their 10-year contract with your institution. By requesting a five-year extension on that contract, they will be able to amortize the remaining balance over a longer time period, which will improve their profit-and-loss statement.

However, we have strongly advised our clients against agreeing to such contract term extensions. That should be the last option that institutions agree to, particularly since there are other operational changes that would similarly improve the operators' P&L, such as modification or reduction of services, reduced operating hours,

staffing changes, modifying their menu, right-sizing portions/prices or changing their style of service among other areas discussed above.

Here are some steps that your institution can take to minimize the reduction of earned income if you enter into contract renegotiations with your foodservice operator:

- Request copies of your foodservice operator's internal (and official) historical, current and projected P&L



statements as they are now, with no operational, financial or contractual changes. The projections should be based on your institution's realistic visitor attendance projections.

- Make sure that you carefully review and evaluate every income and expense line on the P&Ls. If you do not understand what an item represents, ask for more information.

- Realize that foodservice operators sometimes have income from other sources that does not directly show up on the P&L. Ask your operator whether the P&Ls they have given you reflect all income and expenses for their organization. Is there anything your institution needs to consider that is not reflected on the financial documents?

- Get a specific written proposal from the operator for proposed modifications to the contract, including changes to commissions, annual minimum guarantees and capital investment terms. The proposal should lay out what they recommend and it should include details on how they will invest to grow participation, customer count and average check at their foodservice sites. The current economic situation should be specifically factored into their plans.

- Request projected P&Ls for the next two to three years that reflect the changes they are proposing.

Make sure that the operators include specifics about the underlying assumptions they have made when drawing up their projections.

- Insist that their plan include a clear goal that is reflected in their projected P&Ls. For instance, if they want to improve their bottom line by \$100,000 annually, their proposal should achieve that with minimum reduction to your institution's income from commissions.

- Make it clear that any financial relief you provide will be temporary. All contract changes you agree to should include built-in triggers that reverse the contract changes so they revert back to where they are now or were when the contract was signed. Triggers can be specific events, such as reaching a certain gross sales level, visitor count or number of catered events. You may need to include an amendment to the contract that ensures the changes you're making now

(Continued on Page 3)

(Continued from Page 2)

will revert within a specific time frame, say two to three years.

Finally, your foodservice operator should be aware that you will have to consider getting proposals from other foodservice providers if you cannot agree to mutual terms and conditions within a reasonable time frame, say 90 days. If you come to an impasse or your operator submits a proposal that is not aggressive or responsive to your requests and is not industry competitive, they should realize that your institution needs to end up with no less than what would be competitive in today's market. Making this reality crystal clear will give your operator a powerful incentive to spend the time necessary to put their best financial and operational proposal forward the first time around. ■

## A "Healthy" Profit for McWane Science Center

**M**cWane Science Center is located in downtown Birmingham, Alabama and attracts over 300,000 visitors per year. But, Tim Ritchie, President and CEO had a problem. The café, although busy, was offering typical fast food menus and was inconsistent with the McWane mission "Changing Lives Through Science and Wonder". Tim noted, "With the rising epidemic of obesity and diabetes, especially in the south and Alabama in particular, we felt we needed to do more with our foodservice program. We needed to take a leadership role in the community and inform and educate our visitors about good food choices and then, have it available for purchase".

## The Wright Restaurant Opens at Guggenheim

Following the trend toward high-end, fine dining in the nation's cultural institutions, Chef Rodolfo Contreras, formerly of Bouley and Town, moved into a 1,600-square-foot restaurant space at The Guggenheim Museum in December. The Wright, named for Guggenheim designer Frank Lloyd Wright, will serve brunch, lunch and dinner with small plates available at the bar. Contreras' menu features seasonal, local and sustainable cuisine.

The space was designed by Andre Kikoski, who was described in 2004 as a "new designer to watch" by New York magazine. The restaurant has its own site-specific sculpture, "The horizon produced by a factory once it had stopped producing views," created by British artist Liam Gillick.

In the past, "healthy" doesn't sell. Everybody says they want healthy options, but then buy the pizza or cheeseburger. How do you balance this underlying demand with popularity and operating needs a maintain expected profitability?

In 2008, McWane brought in Manask & Associates to study the current operations and make recommendations to help redefine the café concept. Rob Schwartz worked with the McWane staff, reviewed café records and observed current operations. He noted that while healthy options were available, they were hidden and could not

(Continued on Page 4)

The museum described the restaurant as having, "a curvilinear wall of walnut, layered with illuminated fiber-optics, a bar clad in a shimmering skin of innovative custom metalwork and topped in seamless white Corian." (Grub Street New York, December 2009) ■

## Union Square Hospitality Group Selected for the Whitney Museum of American Art

Denny Meyer's catering and events business, Hudson Yards, will serve as exclusive caterer for all events at The Whitney Museum of American Art in New York City. Hudson Yards will also open an interim "pop-up" café to serve Whitney visitors while a lower-level dining space is being renovated.

The new café will succeed Sarabeth's at the Whitney, which closed Jan. 17, 2010 after 20 years. Sarabeth's was the first private restaurant in a New York museum when it opened in 1991, but it is not equipped to do the kind of large-scale catering that the Whitney now requires.

Hudson Yards provides food service at the New York Mets' Citi Field and at Public Fare, an open-air café at the Public Theatre at the Delacorte in Central Park. It is a division of Meyer's Union Square Hospitality Group, which operates some of New York City's most beloved restaurants, including Gramercy Tavern, Tabla, Shake Shack and The Modern, Café 2 and Terrace 5 at MOMA. (Whitney Museum of American Art press release, Jan. 6, 2010) ■

## A "Healthy" Profit for Foodservice at McWane Science Center



(Continued from Page 3)

compete with the highly marketed Pizza Hut or popular grill food. If we wanted healthy choices, we needed to promote them like any other brand. We also needed to develop programming around this concept like any other exhibit in the museum. Educate the consumer, give them information in a user friendly way and let them choose what is right for them. We all agreed that forcing healthy eating choices was not a recipe for success.

The "Smart Café" concept was born! We kept Pizza Hut and the grill, but eliminated fried foods. Burgers are now broiled and fries are made with a Hot-Air fryer.

We added a Subway station; a Pasta/Asian station and a Smoothie Bar. We invested in updating the marketing/merchandising of each station to provide a consistent look and not let one station stand-out over the others. We also provide nutritional information for each station and help with iconic labeling to identify "better" choices available on the menus.

Since these renovations were made in spring 2009, we have seen a dramatic increase in sales and profits. Sales have increased 22% over prior year and profits have increased 33%. Our museum attendance increased 15% over these same years.

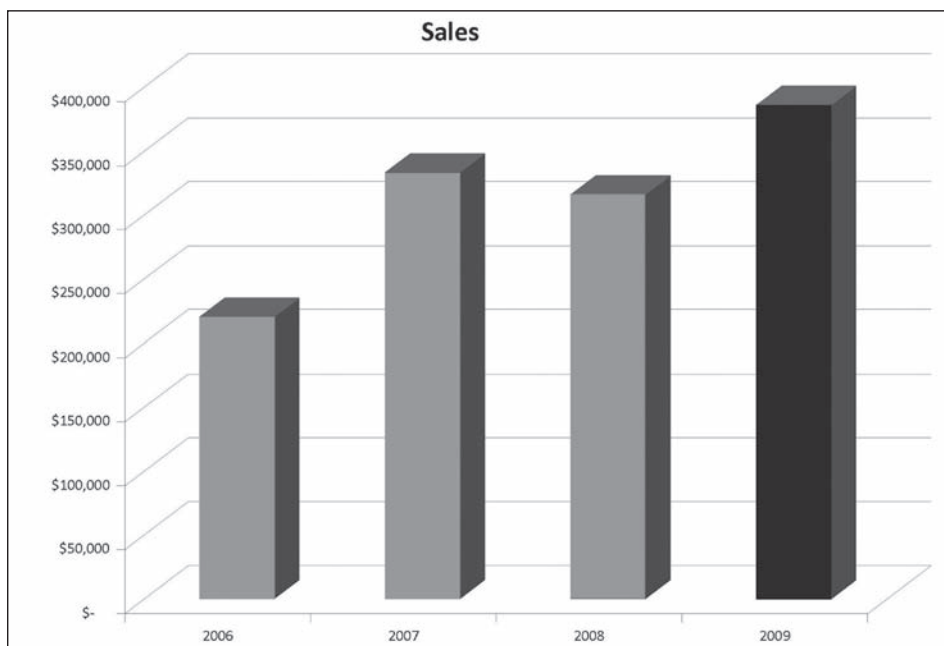
Based on Rob Schwartz's recommendations, we had to increase labor to increase our menu choices and serve the customer better. But, even with



this added expense, we have seen in crease profits and happier customers. This also jump-started our community partnerships connected to this project. The Smart Café has become a magnet for community-based organizations whose focus is health and wellness. The School of Public Health at the University of Alabama at Birmingham (UAB), and UAB's departments of preventative medicine and nutrition have all worked with McWane educators to use the Smart Café as a forum for addressing the problem of obesity. In addition, the local chapter of the American Diabetes Association and the "Scale Back Alabama" program has used the Smart Café to educate the public about the importance of nutritional well-being.

We believe that we are meeting the needs of our visitors and providing them with real, informed choices that meet the challenge of our mission. Healthy does not need to be boring or forced and it can be profitable. ■

Tim Ritchie  
President & CEO  
McWane Science Center



## HOT TRENDS: Mobile Food Vendors Roll into Franchising

**F**ood trucks, being used by some cultural institutions to supplement their visitor foodservice during special exhibitions and high traffic days, are beginning to venture into franchising.

With low entry cost, manageable overhead, few employees and lots of flexibility, mobile food vendors feel they are well-positioned to franchise their concepts. Brightly painted and featuring menu items that are easy to eat on the go, catering trucks are a fast growing trend in all major (and not-so-major) metropolitan areas in the U.S.

The Calbi Fusion Taco and Burrito truck, a Korean concept that began cruising Los Angeles streets last May, debuted its franchise project at the West Coast Franchise Expo. Calbi was acquired from its founders, Ok Ju and Insook An, by David Kim, Chief Executive of Baja Fresh Mexican Grill, and a group of investors.

Calbi franchise startup costs are estimated at \$250,000 to \$275,000, with an initial franchise fee of \$50,000 and 5% royalties.

Other mobile vendors plan to follow Calbi's lead, including Green Truck, which sells organic fare in Los Angeles and is doing concept testing in New York, with the goal of franchising along the East Coast.

While some skeptics call mobile vending a fad that hasn't yet reached

proof-of-concept, the fact that Kim is betting on the idea is significant. He is already franchising Baja Fresh, La Salsa Mexican Grill, Canyons Burger, Cinnabon and Sweet Factory candy shops. (Nation's Restaurant News) ■

## What is Your Restaurant/Café Operator Doing?

### Revising Menus with Psychology in Mind:

Are revenues down at your restaurant or café? Perhaps your food service operator should take a cue from the nation's commercial restaurateurs, who are tinkering with their menus to find words and prices that will appeal to cost-conscious diners. "Menu psychology," carried out by menu engineers who analyze a growing body of dining research, includes changing details such as prices, adjectives, type fonts and sizes, and even ink colors.

Dishes sound more appealing and are more likely to be ordered when they incorporate the names of chef's mothers, grandmothers and other relatives, says Danny Meyer, owner of the Indian fusion restaurant Tabla in the Flatiron District of New York City. Making prices "friendly and manageable" includes leaving off the dollar signs and even the word "dollar," putting the price at the end of the menu description and never ending a price with ".99 cents." Using descriptive menu labels has been shown to increase sales by as much as 27%, as does including ingredient's brand names. Vivid adjectives cannot only sway customers' choices but also make them more satisfied with their meals, said Brian Wansick, director of the Food and Brand Lab at Cornell University. (New York Times, Jan. 23, 2009) ■

## We Continue to Support and Exhibit at these 2010 Conferences

### Hope To See You There!

#### EXHIBITING AT:

**AAM:** American Association of Museums  
May 24 - 26, **Booth # 1101**

**APGA:** American Public Gardens Association  
June 2, **Booth # 304**

**AZA:** Association of Zoos & Aquariums  
Sept 14 - 16, **Booth # TBD\***

**AMM:** Association of Midwest Museums  
Oct 7 - 8, **Booth # 24**

**SEMC:** Southeast Museum Conference  
Oct 12 - 15, **Booth # TBD\***

**NEMA:** New England Museum Association  
Nov 4 - 5, **Booth # TBD\***

\* For booth # please email us at [ArtManask@manask.com](mailto:ArtManask@manask.com)

## Book Review

Arthur Manask converted a lifetime of knowledge and experiences about foodservice for cultural institutions into a book: "The Complete Guide to Foodservice in Cultural Institutions/Keys to Success in Restaurants, Catering and Special Events." Manask has worked for and with cultural institutions around the country for more than 40 years.

Manask's book addresses questions you never thought about in college: Should we operate our foodservices in-house to get all the profits (losses)? Or recruit a foodservices professional and give up a portion of our profits (losses)? What kind of a profit should we expect from foodservices? What is the difference in internal and external catering? What are the advantages of an exclusive caterer vs. a number of caterers? How do we increase revenue from special events?

His premise is simple: "The successful operation of restaurants, catering, and special events can do much to burnish, or tarnish, a cultural institution's reputation in its community."

Manask goes beyond theory and uses real situations offering broad observations about marketing strategy and admissions projections. He includes helpful sections on food safety and unrelated business income taxes. A glossary of terms that show up in negotiations and contracts is also included.

Manask's practical advice can help make your cultural institution more responsive to visitors. ■

Charles L. Overby  
Chairman & CEO  
The Freedom Forum and the Newseum

## Online Gift Shop Retailing Takes Time & Resources

If you don't yet have an online gift shop that complements the physical gift store at your cultural institution, you need to establish one. But the "if you build it, they will come" mentality does not work in offline retailing and it also fails when institutions adopt it for their online commerce. Developing an effective online store for your institution requires a business plan and a carefully defined project team.

Research all your options in e-retailing, identifying both in-house and outside business partners who will develop the site and support ongoing maintenance. While marketing and search-engine optimization will drive traffic to your site, you must also offer excellent content in order to increase time spent at your online store and convert browsers into buyers.

Content should be consistent with your institution's main branding elements and should include creative product descriptions and high-quality images. Provide a diverse selection of items at a variety of price ranges. Presentation is just as important online as it is in your brick-and-mortar gift shop.

There isn't necessarily one right way to develop an e-commerce site but there is one best option for your situation. Put the time in up-front to get the right formula the first time. (Museum Store, Winter 2008) ■

## Fine Dining Complements Fine Art in Nation's Museums

Fine art museums are increasingly opening sleek new restaurants that incorporate celebrity chefs and beautiful surroundings, including museum pieces on display for diners, the New York Times noted in January ("Museum Cafes Morph Into Fine Dining Establishments, Jan. 29, 2010).

Dick Cattani, CEO at Restaurant Associates, which operates The Wright at The Guggenheim and a café at the Metropolitan Museum of Art, said, "... the tendency is definitely away from the quick serve of the old days and toward fine dining."

For restaurateurs, there are benefits and challenges. Long-term contracts and exclusive catering rights can be lucrative, especially with the chance to introduce menus to trustees, donors and other wealthy visitors. However, installing and running a restaurant in a museum requires a balancing act.

Challenges include having the dining room or café fit seamlessly into the museum's distinctive architectural design and cooking food without odors leaking into the art galleries.

The article reviews three New York museum restaurants, including Robert at the Museum of Arts and Design; The Modern at MOMA and The Wright at the Guggenheim Museum. It said The Modern "clearly remains in the lead, both in terms of cuisine and cost, which can be considerable." ■

## News Briefs

**R**ecession has brought unexpected changes to the Russian Tea Room. A children's tea is being served at the iconic Manhattan restaurant owned by RTR Funding Group. "It's still possible to drop \$395 on a lunch featuring imported black caviar. But there is also a business lunch special for \$35 and, since May, the children's tea for \$25," the article said. The kiddie menu includes peanut butter and jelly on a blini and tiny pigs-in-blankets and BLTs. The beverage of choice? Not tea, but hot chocolate. (Los Angeles Times, November 2009)



Zootique, a redesigned, 3,000 square-foot souvenir gift store, opened at the Toronto Zoo in June 2009. The environmentally friendly re-do incorporates low-emission paint recovered from domestic paint leftovers, low-energy lighting and renewable bamboo wood in the checkout counter. Reconditioned fixtures, originally destined for landfills, and signage made from fast-biodegradable polymers are also incorporated.



Lancer Hospitality picked up two new food service contracts in Q4 2009. In October, the company began operations at Metro Parks Tacoma and in December they opened food service at the Memphis Zoo.



In August 2009, Kohl Children's Museum in Glenview, Ill. selected Cosi to redesign its café and revamp the menu. Out went pretzels and in came breakfast squagels, delicious hot out of the oven. The café, which opens

early and closes late, features an expanded menu with lots of healthful options and new, child-friendly menu boards.



Cleveland Botanical Garden renewed its contract with Bon Appetit Management Company (formerly Restaurant Associates) in 2009. Bon Appétit also provides food service at The Guthrie Theater in Minneapolis, de Young Museum in San Francisco, and the Getty Center and Villa in Los Angeles. In Cleveland, Bon Appetit caters all garden and private special events and operates the Garden Café during regular visitor hours. The café offers al fresco terrace dining in the warm months and indoor café seating year-round.



The Franklin Institute in Philadelphia selected its evening caterer, Frog Commissary Catering, to handle over-all food service. Having one food service provider in charge of all dining at the institute made sense to its board, the decision was made in June 2009.



Los Angeles Times restaurant critic S. Irene Virbila called The Restaurant at the Getty "hands down the best museum restaurant in Southern California" in a December 2008 review. The critic, who said the Getty is her mother's favorite lunch spot, highly recommended the beef barley soup, parsnip-apple puree and Dungeness and blue crab cakes.



Going green was a top priority for the John G. Shedd Aquarium in Chicago when it renovated its food service

operations, provided by Sodexo, in early 2009. While the aquarium uses more than 50 million gallons of water annually, its kitchens are some of the most water-and energy-efficient around. The facility's use of city water dropped 15% in 2009 from its 2005 usage levels, an audit found. Sodexo uses 3.2 gallons of water for every one of the 5,300 to 12,670 meals it serves each week. Other restaurants typically use far more – 6 to 30 gallons of water per meal.



The Farmer & The Chef, an annual cook-off featuring fresh local meat and produce, is slated for September at Chase Center on the Riverfront in Wilmington, Del. The event, in its third year, pairs area chefs with farmers and urges visitors to "buy from your neighbor." Chazz Alberti, executive chef of Sodexo Leisure Services at Chase Center, is the event's culinary chairman and will select participants. Past participants include: Joseph Koye, Executive Chef and Owner of Wild Blue Creative Catering; ice cream makers Woodside Farm Creamery; Denise Reynolds, Sodexo Executive Sous Chef at the Chase Center; and Sam Yoder & Sons, a farm-to-table meat producer.



The William J. Clinton Presidential Center has sparked a restaurant boom in Little Rock's 16-block River Market area where it is located. Over the past five years, the center has spurred millions in development, including several new hotels and four dozen restaurants. Joseph Peck, Executive Sous Chef at forty-two, has turned the library's restaurant into a gathering

*(Continued on Page 8)*

News Briefs

(Continued from Page 7)

place for local businesspeople and tourists - and even the former president himself, who often turns up for a meal. (Nation's Restaurant News, June 2009)



Chef Akasha Richmond was interviewed about sustainable and healthful ingredients in the January 2009 issue of Sunset magazine. Richmond, Chef Owner of Akasha Restaurant in Culver City, Ca., recommends soy milk, acai and gogi berries, sea salt from Big Tree Farms in Bali and Bellwether

Farms' sheep's milk yogurt with blueberries and toasted almonds. She also plugged the Cheese Store of Beverly Hills and Americraft Cookware, a line of sustainable stainless steel cookware.



Caterers need to get back to business basics in order to beat the recession. Increasing sales and marketing efforts, using Google AdWords and focusing outreach on growth areas such as weddings are a few tips shared by caterers in Catersource's January 2009 Issue.



Jose Andres, Chef and Owner of Jaleo, Café Atlantico and Zaytinya among others, announced a partnership between his ThinkFoodGroup and Ridgewells catering firm in the Mid-Atlantic region. The new venture, called Jose Andres Catering with Ridgewells, is offering four menus: Mediterranean, Mexican, Classic Spanish and Jose's Way. The latter menu will focus on uber-chic minibar cuisine, known for dishes such as foie gras cotton candy. (Nation's Restaurant News, December 2009) ■

AMERICA'S LEADING EARNED INCOME CONSULTANTS  
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