Can a Corporate Café Be Self-Sustaining?

It depends on circumstances not present in many companies.

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About 45% of corporate dining services of all types were self-sustaining in 2016 according to the 2017 Industry Standards and Benchmark Comparison report, the most recent data available.

The number of non-subsidized services reported has fluctuated in the low to mid 40% range for a decade and most likely is in the same range today. The study is published semi-annually by the Society for Hospitality and Foodservice Management.

It doesn't differentiate the self-sustaining vs. subsidized operations by type of organization, but it's probable most of the 55%-60% of the services that are subsidized are corporate/regional headquarters, research and technology facilities and (not a report category) professional firms.

Why Subsidize?

What factors divide the profitable and unprofitable operations? Can a subsidized dining service become self-sustaining? The most common reason an organization absorbs losses in its dining services is that it wants to; free or low-cost meals are considered an employee benefit.

Tech firms often find they must follow the free-meal and other benefit practices of Google and other big competitors just to attract and retain talented employees. For law and other professional firms, banks and financial firms with intense work schedules, subsidizing employee meals and providing meals and refreshments for visiting clients are just overhead costs; expensive, but as necessary as paying the office rent and electric bills.

A Tale of Two Cafes

For other companies, especially those with narrow profit margins, on-site dining is an employee convenience; a business necessity. Can the service be less of a burden on the company's bottom line? It depends.

The dining services of two Clarion clients in the same market where we have five years' history and data illustrate the answer. Both had the same management and minimal staff turnover for the four years studied, reducing variances caused by personnel changes. Both serve breakfast and lunch only.

Catering's Impact

The larger operation's sales and results:

	Total Sales	Catering Sales %	Food Cost %	P/(L)%
2015	$2,344,600	43.5%	39.5%	2.0%
2016	$2,364,000	39.0%	40.2%	1.8%
2017	$2,355,500	37.2%	41.2%	-0.5%
2018	$2,348,200	34.2%	42.5%	2.3%

An alert manager, recognizing falling catering sales and rising food cost in 2017, reduced labor cost by 3% and operating costs by 12% to regain profitability in 2018.

The smaller café's story was different:

	Total Sales	Catering Sales %	Food Cost %	P/(L)%
2015	$860,700	15.5%	44.7%	4.8%
2016	$853,100	17.5%	45.8%	0.7%
2017	$810,700	15.5%	47.4%	-5.7%
2018	$758,600	13.0%	46.5%	-8.3%

Here, sales were reduced in 2017 by a 20% layoff and a sharp reduction in catering services. The café's staff couldn't be reduced appreciably without curtailing services. The outcome was predictable.

What Else?

The value of profitable catering to a self-sustaining dining service is evident. Other factors include:

- Available population: 800 is about the financial breakeven point for a café.
- Facility: Some cafes are overbuilt, requiring more staff than sales can support.
- Hours of operation: Late afternoon and dinner services rarely are profitable.
- Vending and office coffee services may generate enough profit to offset marginal staff café losses.

Clarion can find the means to reduce or eliminate your dining service's subsidy without reducing quality or service. To learn how, call Tom Mac Dermott, 603/642-8011 or Ted Mayer, 617/875-7882, or e-mail us at info@clariongp.com.