

1st Draft

CATERING REVIEW & RECOMMENDATIONS

The Spa Pavilion
Felixstowe



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1.0 INTRODUCTION

A visit was made to the Spa Pavilion on 9th June 2011 during which a full tour of the facilities was made, both front and back of house, and background information provided by the Front of House and Catering Manager, Sarah and Theatre Manager, Julie Howes.

This report considers the trading history of the restaurant, bar and shop since 2007, in relation to performances and audience numbers and comments on its future potential. It also reports on the condition and arrangement of the kitchen, back of house and service areas and looks at options for redevelopment, including a change of style and direction, new outlets and entering the conference sector.

2.0 OVERVIEW

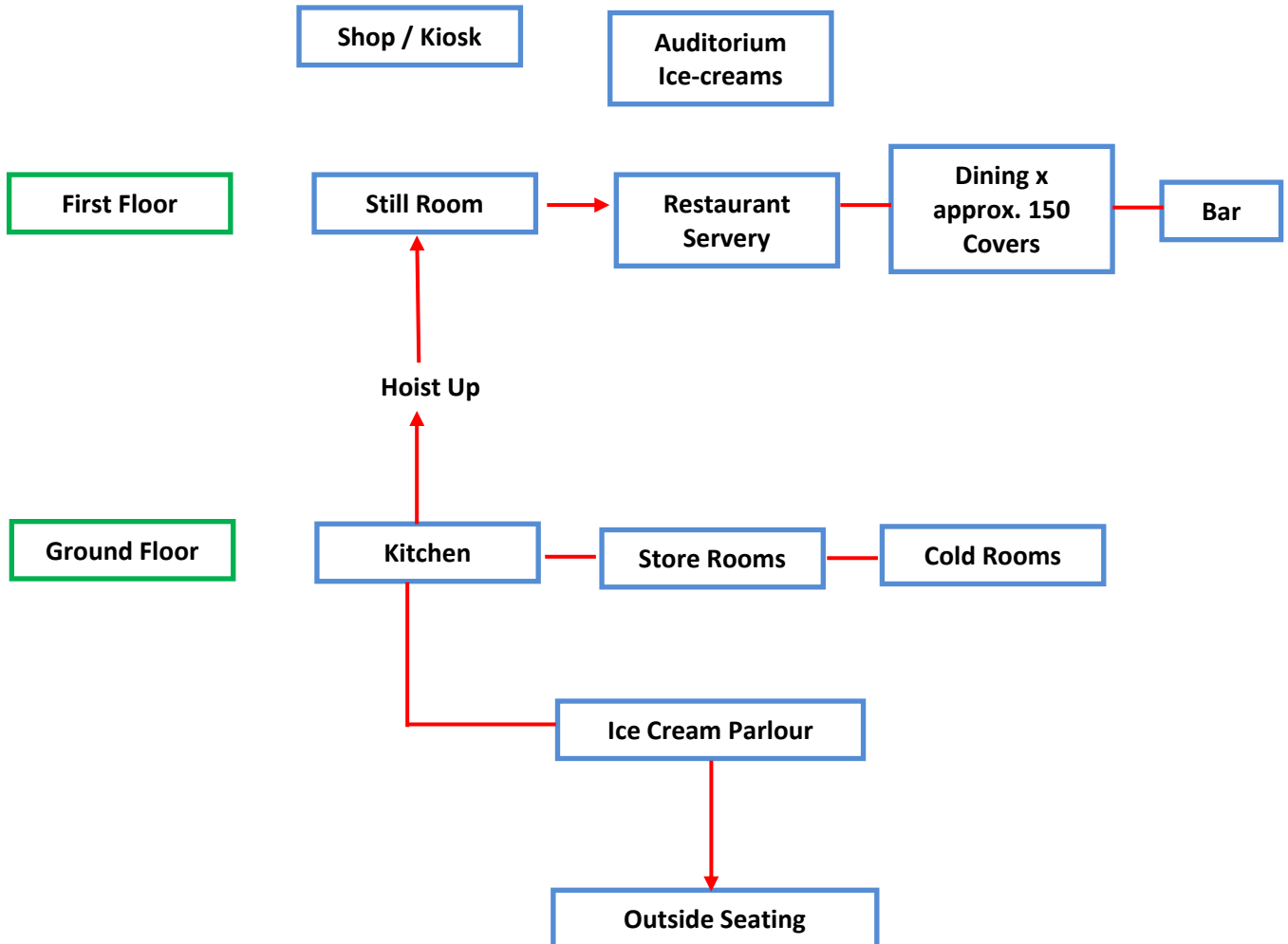
2.1 Food & Drink Outlets

Catering at The Spa Pavilion current comprises the following offers:

Restaurant	First floor, open 364 days (closed Monday and Tuesday, November to January). Teas, coffees, cake, light snacks, meals, pre-theatre suppers and pre-booked events. Assisted service – order and pay at counter, delivered to table. (Food prepared and cooked to order, in kitchen on lower level, sent up by hoist).
Ice-cream Parlour	Ground level, seasonal opening and weather dependent. Licensed. Take-away plus a few outside tables and chairs. Located adjacent to kitchen.
Bar	First floor, open for pre-performance and interval drinks and in association with restaurant lunch service. Additional bottle bars set up on an as required basis for high ticket sale events.
Foyer Shop	First floor, at entrance to box office foyer. Open for soft drinks, ice cream and confectionery, pre-performance and at interval.
Ice Creams	Sold in auditorium at interval.

The service areas are supported by a large back of house support area comprising a number of interconnecting rooms on the ground floor, leading off the kitchen, plus two externally accessed, walk-in cold rooms and a still room and preparation area behind the restaurant servery.

Existing Catering Arrangements



2.2 Premises Condition

All the catering areas are in need of investment to modernise, refurbish, redecorate, re-equip and to generally improve the condition of the working areas, bringing them in line with current operating standards.

Kitchen

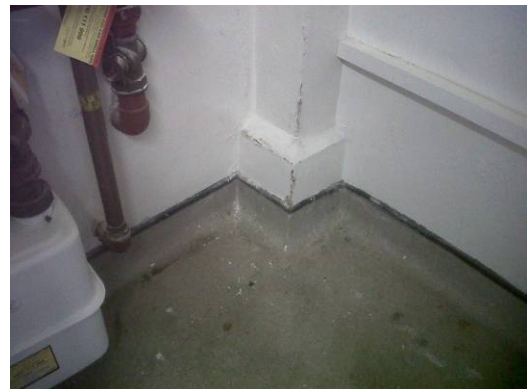
This is a very old fashioned and difficult to work space with low ceilings and a warren of corridors, side rooms and redundant spaces, currently cluttered with old equipment, spare furniture and a variety of sundry items.

Kitchen equipment is old, some is either not functioning or not needed and therefore not in use.

Only a very small area of the total kitchen space is in regular use for restaurant food production.

The walls and ceiling are, in some places, crumbling, leaving debris on the floor. There have been water leaks and there is a large quantity of overhead exposed pipes making it a very difficult area to keep clean and well maintained.

Due to lack of investment, maintenance and general care, this is a very tired working area, in need of attention.

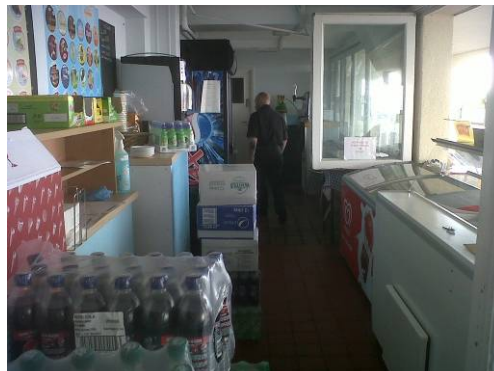


THE SPA PAVILION, FELIXSTOWE



Ice Cream Parlour

This outlet was modified a few years ago from a walk-in café with seating, to a kiosk operation, opening onto a small seating pavement area.



THE SPA PAVILION, FELIXSTOWE

As it is set back under the restaurant seating overhand, it does not have a strong presence on the promenade and the external appearance is poor i.e. it has an unkempt and unappealing look.



This is exacerbated by the appearance of the rest of this façade as illustrated below:



THE SPA PAVILION, FELIXSTOWE

Restaurant & Servery

The restaurant dining area benefits from the wonderful panoramic view of the sea, is a light and airy space. The décor and fittings however are tired and out-dated. The food servery counter has been converted from an old bar counter and has no suitable food display equipment.



Bar

This is a very small bar, set at the furthest point of entry to the theatre and requiring customers to walk the length of the restaurant seating area on arrival. Again, this is old in style, inefficient to work in and inadequate for the higher audience numbers. It does work well however as a dispense bar for the restaurant.



Shop Kiosk

At the entrance to the Theatre a small counter sells ice cream, cold soft drinks, confectionery and coffee.



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2.3 Local Competition

There is growing competition in the town from a number of cafés with pavement seating, wine bars and pubs. Just a short walk along the promenade are a café bar, a pub with wine bar and Chinese restaurant.

The café bar in particular was trading well on the day of our visit and has a continental menu with broad appeal. It was attracting a mix of clientele, both locals and business people, drinking coffee, buying breakfast, snacks and lunches.



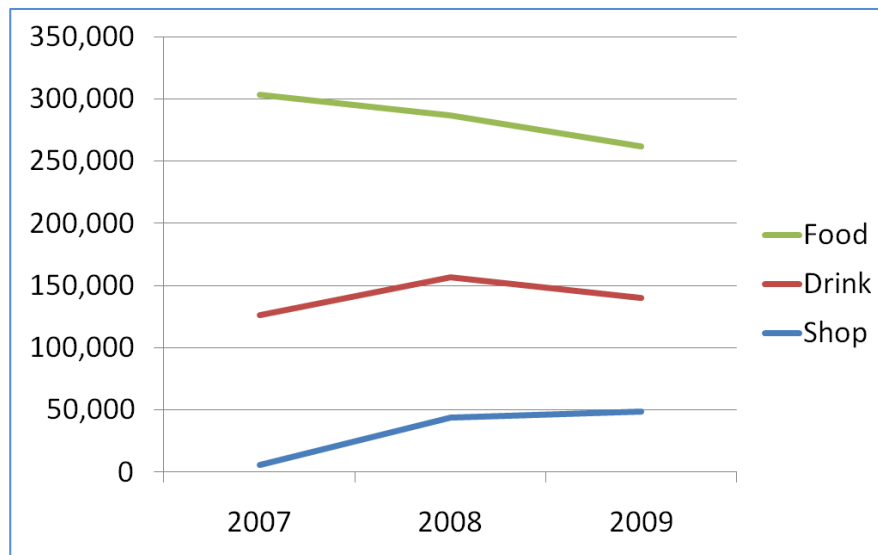
3.0 CURRENT FINANCIAL PERFORMANCE

Audited trading results are not available for the year ending December 2010. Our comment is therefore restricted to the years 2007 – 2009.

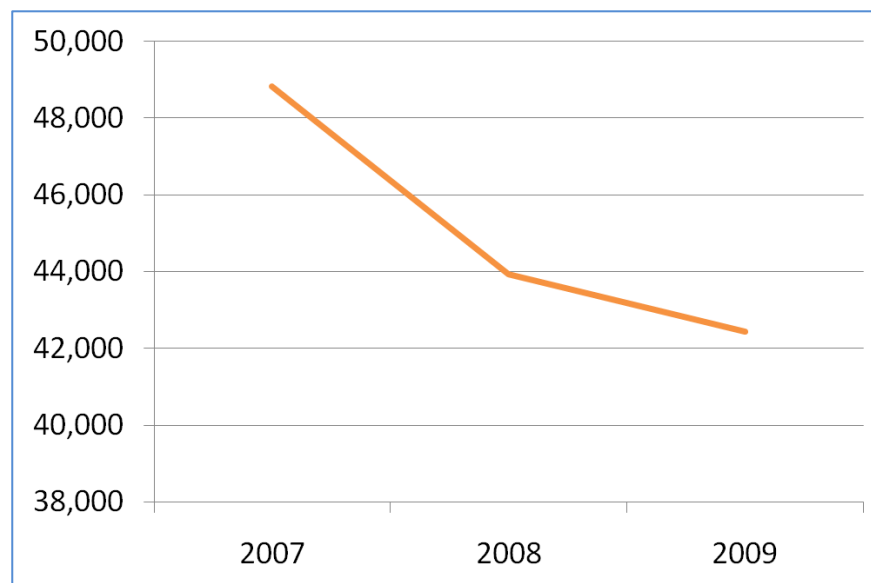
3.1 Sales

Sales have declined from a high of over £300,000 in 2007, to £266,000 in 2009 (13% decline). In the same period audience numbers have declined by 28%. Ice cream parlour sales are included in Shop.

Catering Sales Per Annum 2007 - 2009

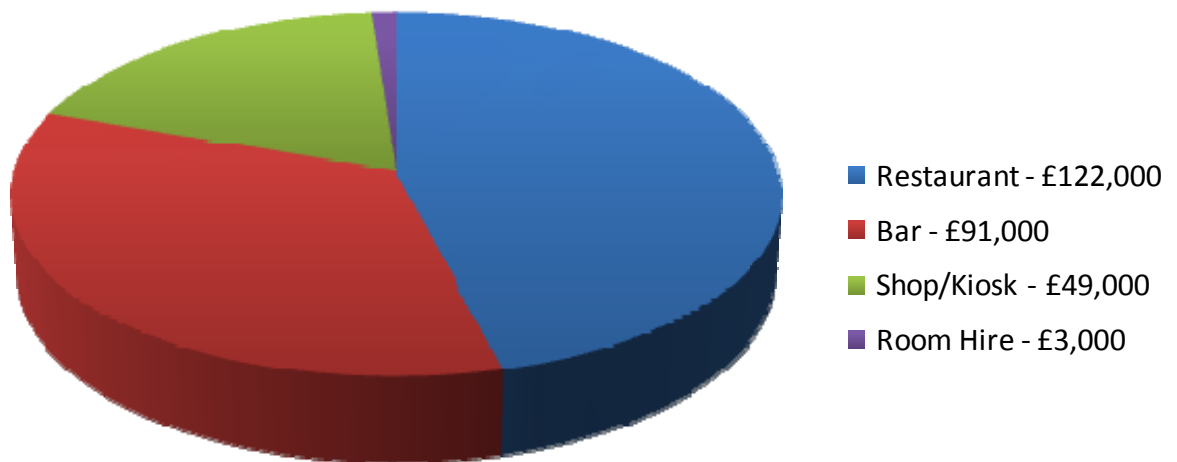


Audience Numbers



The biggest decline has been in food sales (down 31%) in comparison to drink sales (down 24%). The increase in Shop and Ice Cream Parlour Sales (a relatively recent addition) has helped counteract the drop in restaurant and bar sales.

Sales Split 2009



Party Bookings

Included in Restaurant Food and Drink Sales is a figure of between £7,000 - £8,000 drawn from pre-booked party bookings throughout the year. In 2010 this comprised approximately 700 covers in total, at an average spend per head of between £11 - £12. They ranged in style from coach party teas and coffees and lunches, cream teas, private parties, jazz and quiz nights. These pre-booked events make good daytime use of an otherwise quiet facility and return good margins.

3.2 Costs

The decline in profitability has been due in the main to a drop in sales, and a restaurant increase in labour costs. In 2007 wages were 36% of sales but in 2008-09 this had risen to 41%. The labour percentage industry norm is around 30%.

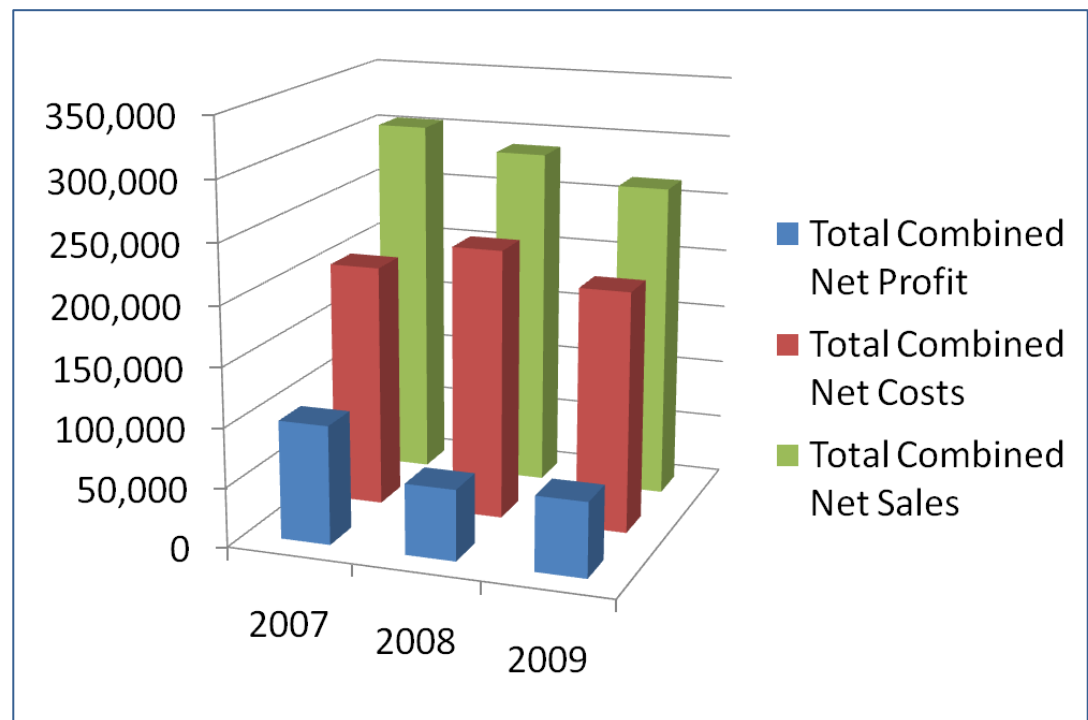
The profit contribution is not a true 'net' return as general operating costs and overheads (rates, insurance, fuel, marketing, repairs and renewals, maintenance contracts etc) are not charged against catering.

Refer to Appendix 1 for a three year P & L summary.

3.3 Profitability

The catering department has contributed a considerable profit each year but this has been declining from 33% of catering sales in 2007 to 24% in 2009. Total net profit (Restaurant, Bar, Shop/Kiosk) in 2009, was approximately £63,000.

Catering Net Profitability Per Annum 2007 - 2009



4.0 CONCLUSIONS

1. The catering and bar offer is currently generating a profit to the venue (before overheads) but, without investment in upgrading and modernising facilities, this will continue to decline in the face of growing local competition and rising maintenance and repair costs.
2. The restaurant lacks the quality of offer, service and environment which is necessary to attract destination diners independently of show programming, nor is it of sufficient standard to be marketed as part of the evening out experience. It is however, situated in a strong position with a long, sea view frontage.
3. There is insufficient bar and dining capacity front of house to cater for large scale conferences and events. The existing bar is under-sized in relation to auditorium capacity.
4. Access and visibility are poor, thus passing trade is limited.
5. The ice-cream parlour is in a prime, sea-front location but under utilised in its current setting.
6. Kitchen and back of house space is extensive and would be able to support a higher output if re-developed into a more efficient and better equipped facility. This is likely however to be a high cost investment due to the extent of work required.
7. The first floor restaurant's food service is constrained by the single hoist connection to the kitchen on ground floor. Improved vertical links are required or a second kitchen production facility on the first floor if a food offer is retained at this level.

5.0 RECOMMENDATIONS

5.1 Options

From our observations and understanding of the local market, there seems little evidence to suggest that there is unsatisfied demand for a destination restaurant in this location and this would therefore be a high risk route to pursue.

We suggest that the most viable options will be focussed on the following opportunities:

- 1) To improve the quality of offer available to audiences, both food and drink. Increase both penetration and spend per head.
- 2) To attract a higher rate of daytime passing trade along the promenade, both take-away and eat-in.
- 3) To explore new, pre-determined, higher spend markets e.g. conferences and events and party bookings.

The risks and benefits of these three options are explained in the following sections.

Option 1: Audience Café Bar

On the assumption that the venue will continue to offer a varied programme of entertainment and that audience numbers will increase following investment in the facilities, there is an opportunity to generate a better income stream from audience attendees. This can be achieved through a better placed and more efficient bar service and a more appropriate food offer. This could take a variety of forms but our suggestion is for a licensed café bar with the following features:

- Single, long bar counter with food order point, simple, brasserie style menu on blackboard behind bar and table top menus.
- Espresso coffee machine on back bar counter.
- Cake display.
- Light bar snacks as well as made to order platters/share boards/tapas and 'bowl food'. Menu flexibility to adapt to audience type.
- Pre-performance and interval drinks service. Open in relation to performances only or for pre-booked events, coach parties etc. Not open on daily basis to public.

Option 2: New Promenade Café

Open up existing ice-cream parlour kiosk, knock through the unused store areas to the rear and create a new, protected, pavement seating area.

Turn this space into a licensed café, linked to the adjacent kitchen, with ice-cream as part of the offer. Serving quality teas and coffees, breakfasts, cakes, all day snacks, light lunches and fish and chips, to eat in or take-away.

Needs a minimum of 60 internal seats to be viable and not weather dependent.

This facility could benefit from any investment in the adjacent gardens.

Option 3: Conferences & Events

If a reduced size auditorium of say, 500 seats became a potential way forward for the venue, and, as a result, conferences were attracted, compatible supporting facilities would be required;

- Reception, welcome desk and coffees on arrival.
- Mid-morning break-out room for teas and coffees.
- Lunch room – bar and buffet x > 500 covers (approximately 600m²).
- Evening dining – not essential as delegates are likely to return to hotels (assumes sufficient local stock of suitable standard hotel accommodation).

To service lunches of up to 500 delegates at any one time, a well equipped kitchen with good communication links and ease of access to the dining room, is essential. Ideally, kitchen and dining should be on the same level, not separated by floors. Alternatively, a catering person and trolley lift will be required if the kitchen is on a different level (a dumb waiter alone will be insufficient).

Cold food storage and dishwashing capacity will all need increasing above current provisions. There is sufficient space in the existing ground floor kitchen and back of house areas but it will require a complete strip-out and re-design.

Kitchen & Back of House Upgrade

The ground floor support facilities will need investment whichever option is selected but the extent of the work required will depend on:

- a) Catering outputs – volumes, frequency, seating capacities, peaks and troughs.
- b) Style of catering – snack and low cost dining, which could be reliant on a high proportion of pre-prepared, bought-in products, or a higher standard and more technically demanding menu as might be required for a conference facility for example.
- c) Methods of production and menu style e.g. fresh cooked on site, cook chill, sous vide etc.

5.2 Financial Implications - Costs

Option 1: Audience Café Bar

An improved café bar in the existing restaurant and bar space is a relatively low cost and low impact option and can be achieved without touching the kitchen facilities. It does not alter the fact that the ground floor kitchen will need its own investment. This is addressed separately.

It is not possible at this stage to provide a reliable budget cost as this will be subject to the design brief and specification. As a guide however, we would expect a fully fitted bar with some limited food display capacity to cost in the region of £40,000.

There will be add-on costs for the following:

- Removal of existing fixtures and fittings
- New furniture and fittings
- EPOS
- Signage
- Coffee machine
- New service equipment
- New beer lines

Option 2: New Promenade Café

This option requires more significant construction work and impacts on the existing kitchen and back of house arrangements. A survey and preparation of scale layouts will be necessary to arrive at a reasonable cost estimate for these works but a broad estimate of between £50k and £100k could be assumed.

Option 3: Conferences & Events

The sizing of new conferencing accommodation will be dependent on the auditorium capacity but it would need to make full use of the audience facilities e.g. the first floor Café Bar, to maximise use of space. Options 1 and 3 are therefore interlinked and the design brief should reflect the flexibility required to adapt the service and environment to suit different customer requirements.

To service conference lunches in a professional way it will be necessary to re-equip and re-plan the kitchen and improve the vertical communication e.g. with a new catering lift.

Further work will be required to provide a reliable budget cost for these works, but a high level of investment is likely to be required due to the impact on services, particularly ventilation. As a guide only we estimate a cost of between £100k and £150k.

Summary Cost Estimates

	<u>£</u>
Capital investment *estimates:	
New performance related café bar	40,000
New café and ice cream parlour	50 – 100,000
Kitchen improvements	100 – 150,000

**Costs are broad estimates only and do not take account of strip out, construction and interior design.*

5.3 Financial Implications - Sales

**Option 1: As existing refurbished Café Bar & new Ice Cream Parlour
35,000 Annual Attendances**

Assumption – No change to Auditorium capacity but investment made in updating the first floor bar and restaurant and creating a new ground floor café and ice cream parlour. Some investment in kitchen and infrastructure.

Assumes new improved management in place, staff training and professional marketing.

It would be reasonable to expect that an improved bar and café facility on the first floor could both improve penetration and raise average spends for performance related trading.

Sales Projections:

a) Performance related:

35,000 – annual attendances

x 40% uptake

= 14,000 @ £3.50 average spend :	£49,000 bar
+ 20% coffee & ice cream @ £2.50	£17,500
x 10% pre-performance meals @ £12.00 (food)	£42,000
+ £4.00 (drink)	£14,000
	<u>£122,500</u>

£3.10 average spend per head per attendee.

Plus, local business, non-performance related trade:

b) Functions, coach parties and events

Say, 1,000 @ £12per person (food)	£12,000
+ £4.00 per person (drink)	£4,000
	<u>£16,000</u>

c) New Café/Ice Cream Parlour

This new facility is almost entirely dependent on a combination of passing trade and local repeat business and will function independently of the performance schedule.

If open throughout the year (with reduced trading hours during the winter season) we project sales of around £140k per annum.

Open all year around, reduced winter opening hours. 60 seats under cover, plus take-away.

Winter season, average net weekly sales approximately	£2,000	
	x 24 weeks	£48,000
		<hr/>
Summer season, average net weekly sales approximately	£3,500	
	x*24 weeks	£84,000
		<hr/>
Total:		£132,000 pa
Plus summer season take-away sales approximately		£8,400
		<hr/>

*Assumes 2 weeks annual closure

Summary Catering & Bar Sales, Option 1

	<u>£</u>
Audiences: Bar	49,000
Coffee & Ice Cream	17,500
Café Bar Food & Drink	56,000
	<hr/>
Sub Total:	122,500
Functions & Events	16,000
Café/Ice-cream Parlour	140,000
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Total:	278,900
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Option 2: Arts Centre; 60,000 Annual Attendance, plus Conferencing

	<u>£</u>
a) Performance related:	
Bar @ 40% uptake, £3.50 average spend	84,000
Coffee & ices @ 20% uptake, £2.50 average spend	30,000
Meals & drinks @ 10% uptake, £12.00 average spend (food)	72,000
£4.00 average spend (drink)	24,000
	<hr/> 210,000 <hr/>
b) Functions, Coach Parties & Events:	
Say, 1,200 per annum @ £12.00 per person (food)	14,400
£4.00 per person (drink)	4,800
	<hr/> 19,200 <hr/>
c) Café & Ice-cream Parlour:	
Estimate approximate annual sales	150,000
	<hr/>
Total Catering & Bar Sales:	379,300 <hr/> <hr/>

6.0 APPENDIX

Appendix 1: Restaurant, Bar & Kiosk (Shop) P & L 2007 – 2009

Appendix 2: Comparison of Catering Sales against Audience Attendance