2025 Food & Beverage Whitepaper

# How F&B Impacts Club Financial Outcomes

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Dear Club Leader,

Since the company's founding in 2009, Club Benchmarking has been guided by a set of core values, and "*Driven to Learn*" is at the top of the list. A passion for data science, knowledge, and discovery is woven into our DNA, and our quantitative research has been augmented by insights and experiences generously shared by industry professionals.

In 2020, Club Benchmarking founder Ray Cronin partnered with JJ West, General Manager of Monterey Peninsula Country Club in Pebble Beach, CA, to publish a seminal white paper on Food & Beverage (F&B). For nearly as long as the industry has existed, the topic of F&B in clubs has been a lightning rod, largely due to a lack of context around its financial implications. Many club members and board members fall into the "F&B Trap" which we define as the belief that F&B profitability is an indicator of a healthy club.

Club industry data gathered and analyzed over the past 15 years tells a different story. The data shows that F&B outcomes are largely a strategic choice, and that a club's F&B subsidy is inversely correlated with a club's net worth which may be a counterintuitive concept for those unfamiliar with the private-club business model.

This white paper advances insights presented in the 2020 version, using the latest data to show how clubs have evolved over the last five years. Focusing on the post-pandemic time frame, the data shows that a growing number of clubs are subsidizing F&B at rates nearly three times higher than before the 2020 Covid shutdowns.

Today, in 2025, the club industry is thriving. Nearly half (45%) of clubs have membership wait lists, and private club balance sheets are getting increasingly stronger. Interestingly, F&B subsidies are also increasing. How can this be? How can clubs be financially stronger while absorbing greater "losses" in F&B? The answer lies in the financial model of clubs. This report confirms the fact that F&B subsidies are a strategic choice, and that a club's financial strength is not dependent on the financial outcome in F&B.

As with any data point in any industry, exceptions and/or outliers do exist. Each outlier has a story to tell, but the conclusion is clear for the club industry overall: The data simply does not support the assumption that driving profitability in F&B is a financial cure-all for clubs, but it does confirm the importance of F&B in delivering an exceptional member experience.

We invite you to explore the fact-based findings in this white paper and consider the immense power of data to reshape the dialogue around F&B in your own club.

With Deepest Gratitude,

Bryan LaBlue
Club Benchmarking Senior Director of Research & Innovation

***** *Questions about information contained in this white paper can be directed to [blablue@clubbenchmarking.com](mailto:blablue@clubbenchmarking.com)*

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**Introduction**

Over the past 15 years, having delivered data-driven presentations to the boards, committees, staff and members of more than 1,200 clubs across North America, we observe that one critical sticking point persists; the misconception around club finance that we call the "F&B Trap."

**The Food & Beverage Trap**

The private club industry is a fragmented cottage industry composed of relatively small and informally organized entities. New board members often arrive with impressive credentials. They are experienced business leaders from the for-profit world who bring deep expertise in their respective industries. These individuals typically assume their roles on the board with the best intentions – to improve their clubs and strengthen financial performance.

Unfortunately, many enter the boardroom with a critical assumption that "losses" in food and beverage (F&B) operations represent a business flaw caused by inefficiency or inadequate oversight. This assumption is what we refer to as the "**F&B Trap**." It reflects a lack of data-driven understanding of the private club business model. Historically, phrases such as *"clubs are in the dues business"* or *"F&B is an amenity, not a profit center"* have been widely repeated, but these statements lacked the empirical context necessary to have a meaningful impact on governance and management.

Over the past 15 years, Club Benchmarking has addressed this gap by aggregating, standardizing, and analyzing data from nearly 1,200 clubs annually and approximately 300 clubs monthly. Since 2009, we have collected comprehensive year-end financial results and, more recently, monthly data on membership, cost of belonging, initiation fees, and financing. This extensive dataset has revealed the true drivers of financial success in private clubs and provided strategic context for understanding F&B outcomes in relation to overall financial health. These insights often contradict the profitability mindset that dominates discussions in boardrooms and grille rooms across the industry.

The purpose of this white paper is to present an objective, fact-based analysis of F&B financial outcomes. Our goal is to help club staff, boards, and committees move beyond the outdated notion that an F&B "loss" is inherently negative or indicative of poor management. This misconception consumes thousands of hours across the industry each year as new board members cycle in, assuming that management or prior boards have made mistakes that must be corrected. Time spent dissecting labor costs, analyzing cost-of-goods trends, and running endless reports detracts from what truly matters: the club's value proposition, member experience, long-term net worth, and the condition of physical assets, all of which are driven by capital income and investment.

From our perspective, the F&B Trap is a distraction that pulls boards away from strategic governance and into operational governance. To be clear, no club should tolerate waste or mismanagement. In fact, the industry's track record is remarkable: operating budgets in 501(c)7 not-for-profit clubs are consistently set at break-even, and the median club achieves that target year after year. That is a testament to the expertise of boards, finance committees, and management teams. This business model is designed to allocate revenues and expenses in a way that maximizes the member experience, while long-term financial strength is built through growth on the balance sheet, not through the income statement.

The question boards should be asking is not *"Are we losing too much money in F&B?"* but rather *"Are we investing enough in F&B to deliver the experience our members expect?"* In reality, F&B outcomes are largely determined by the club's business model and strategic choices made by design. Understanding that model is essential for effective governance and long-term success.

**Perspective**

We refer to the F&B profitability fixation as a "trap" because volunteer board and committee members often become constrained in their thinking, viewing all financial matters primarily through the lens of the food and beverage (F&B) deficit. When this narrow perspective becomes pervasive within a club's governance structure, the organization itself becomes constrained. Currently, only 8% of clubs report a profit in F&B, down from 20% prior to the COVID-19 pandemic. Notably, those few clubs that do achieve profitability in F&B are among the weakest in the industry financially.

The analysis presented in this paper is grounded in the economic principle of "thinking at the margin," which emphasizes forward-looking decision-making rather than focusing on sunk costs. According to the Library of Economics and Liberty, this concept involves "letting the past go and thinking forward," while Wikipedia defines it as understanding "constraints at the border of an idea." In this context, the term refers to identifying the primary factors influencing outcomes.

For example, given that 92% of clubs incur an F&B "loss" – the vast majority – is it reasonable to conclude that such losses are inherently negative or indicative of inefficiency? A broader and more rational perspective suggests otherwise. The near-universal nature of these losses implies that they are unlikely to result from poor management practices. Are clubs within that majority operating inefficiently, or does the outcome reflect strategic choices inherent to the club model? Are they *all* engaging in flawed business practices? Furthermore, does achieving profitability in F&B correlate with superior member experience or overall financial strength? These are the critical questions that should guide boardroom discussions.

A common question raised in boardrooms and finance committee meetings when reviewing F&B performance is: *"Why can't we make money like a restaurant?"* At first glance, this seems logical, but the comparison is fundamentally flawed.

Consider the diversity of restaurant models. Which type of restaurant should a club emulate? Would it be a new restaurant, like the 60% that fail within three years of opening according to a

Cornell University study? Maybe the fast-food chain down the street? Or perhaps the high-end, chef-owned establishment downtown? Each of those restaurants operates under a distinct business and financial model that bears little resemblance to a private club.

Would a restaurateur open a business restricted to serving the same 500–700 individuals? Would they offer breakfast service for only a handful of patrons? Would they routinely allow guests to order off-menu or modified selections? These scenarios illustrate the operational realities of private clubs, which differ significantly from those of commercial restaurants.

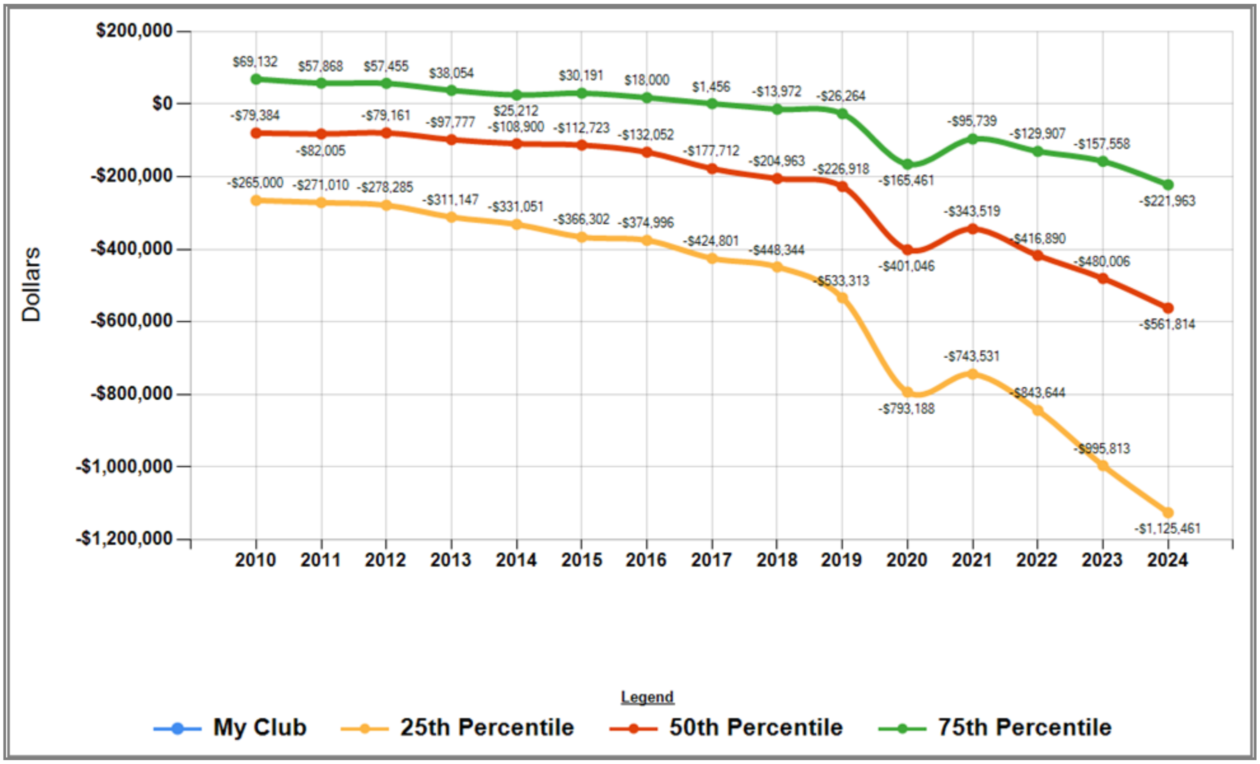
A private club F&B operation and a restaurant may share superficial similarities, but their business models, objectives, and measures of success are inherently different. Comparing a club's F&B financial outcomes to those of a for-profit restaurant is as misguided as comparing the club's golf course to a municipal course across town – the underlying economics and purpose are entirely distinct.

The data presented here centers on a series of questions. Each of which will be addressed in the pages that follow:

1. What are the financial results in F&B across the club industry?
2. What causes the financial results?
3. How do those results compare to other department results?
4. Why does the focus land on F&B instead of other departments?
5. What is the fact-based view of the financial outcome in F&B?

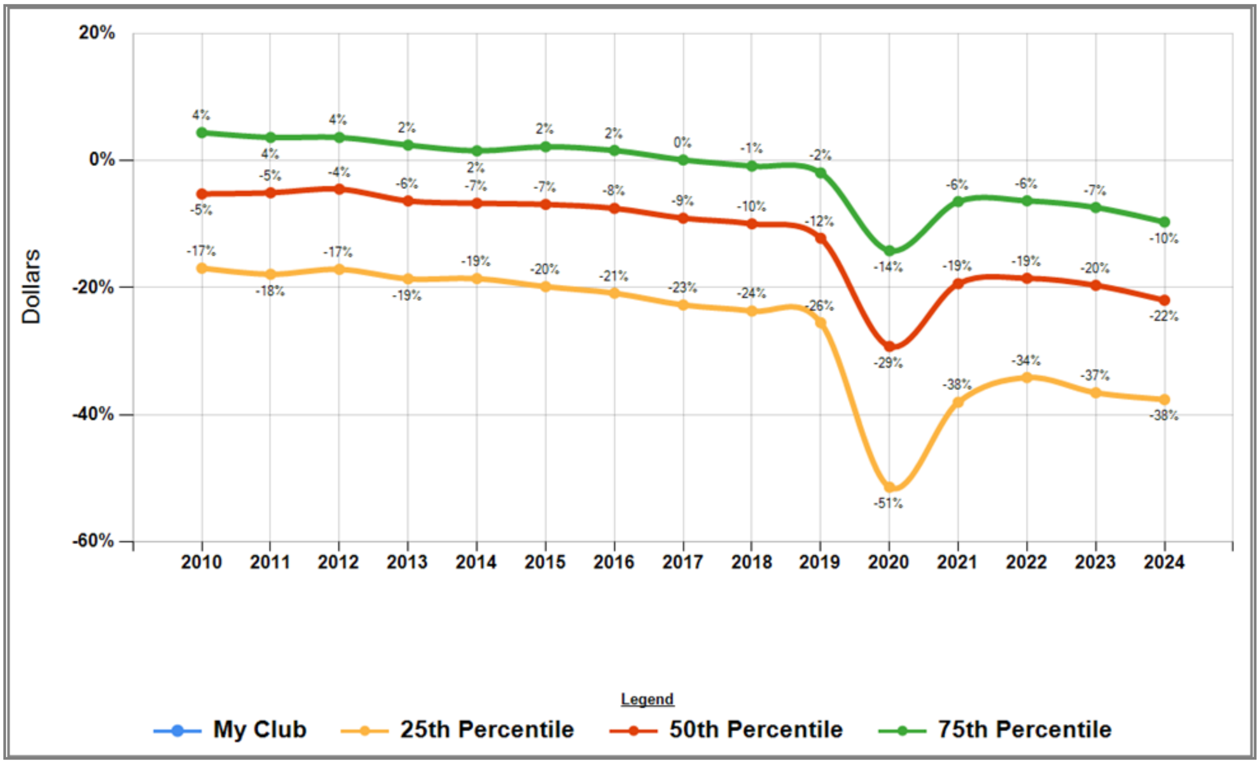
**Let's Look at F&B Financial Results Across the Club Industry**

## Chart 1 – Food & Beverage Surplus/Subsidy Over Time




As shown in Chart 1 above, F&B subsidies slowly increased from 2010 until the start of the pandemic in 2020. Notice that the rate of subsidies increased more significantly after the 2020 pandemic than before. Clubs subsidized F&B in 2024 at a rate four times higher than in 2010 and two times higher than before the pandemic. F&B Subsidy as a percentage of F&B Revenue (Chart 2 below) follows a similar path.

### Chart 2 – F&B Surplus/Subsidy as a Percentage of F&B Revenue Over Time




Charts 1 and 2 both illustrate a steady decline in the number of clubs making money in F&B. Semantics are a key factor in the F&B trap. As such, Club Benchmarking advocates for a change in the terminology typically applied in discussions of F&B results. Loss implies something wrong, while subsidy implies a choice, which is actually the way it works.

As contextual reference, at a later point in this paper we will address the fact that 100% of clubs subsidize their golf department. Simply shifting the terminology (and perspective) from a “loss” in F&B to a “subsidy” of that amenity funded by dues revenue, as is done in golf, is an easy and significant first step in escaping the F&B trap. We suggest the words “loss” and “lose” be replaced with “deficit” and “subsidy” and the word “profit” be replaced with “surplus.”

### Table 1 – Key Performance Indicators by F&B Subsidy as a Percentage of F&B Revenue

| Key Performance Indicators | 2019 | 2024 | 2019 | 2024 |
|---|---|---|---|---|
| | Lower Quartile | | Upper Quartile | |
| **F&B Subsidy as % of F&B Revenue** | (25%) or Less | (38%) or Less | (2%) or Greater | (10%) or Greater |
| F&B Subsidy as % of Dues Rev (Median) | -16% | -20% | 4% | -2% |
| Overall Club Operating Margin (Median) | 1.0% | -0.2% | 4.0% | 2.6% |
| Capital Income to Operating Revenue | 16% | 25% | 10% | 15% |
| Full Member Equivalent (Median) | 478 | 467 | 429 | 455 |
| Initiation Fee (Median) | $45,000 | $85,000 | $10,000 | $20,000 |
| Member's Equity (Median) | $11,596,507 | $20,230,778 | $4,183,413 | $8,269,435 |
| % of Clubs w/ Net Available Capital Ratio >20% | 35% | 55% | 20% | 37% |
| Full Member Annual Dues | $10,100 | $15,456 | $6,632 | $7,884 |
| Net To Gross PPE Ratio | 53% | 55% | 43% | 44% |
| Debt to Equity Ratio | 18% | 17% | 55% | 34% |
| Operating Expense Allocated to Non-Golf Sports | 12% | 12% | 9% | 9% |
| Full Member Turnover Percentage | 5% | 5% | 6% | 6% |
| Dues Ratio | 58% | 60% | 42% | 44% |
| F&B a la carte Rev per FME | $2,518 | $5,183 | $5,730 | $6,470 |
| F&B Labor as a % of F&B Revenue | 89% | 101% | 55% | 60% |
| F&B FTE | 30 | 36 | 28 | 32 |
| Food Cost | 46.4% | 48.1% | 39.1% | 40.5% |
| Beverage Cost | 35.1% | 37.4% | 31.3% | 32.5% |
| Revenue from Unspent Minimum | 5% | 3% | 7% | 6% |
| F&B Rev per FTE | $67,756 | $71,176 | $93,568 | $104,785 |

Table 1 above presents data from 2019 and 2024 to illustrate the trends. The left columns show data for clubs in the lower quartile of the F&B subsidy as a percentage of F&B revenue in both 2019 and 2024. Columns on the right show data for 2019 and 2024 of the upper quartile of clubs. The table shows a stark difference between KPIs in the lower and upper quartiles. It also shows the progress the industry has made in the past 6 years.

In Chart 1 on page 5 of this paper, we can see that F&B Surplus/Subsidy remained relatively consistent from 2010 to 2019 and the KPIs above followed a similar path. The immense change from 2019 is evidence that many clubs have realized the importance of managing food and beverage properly. For example, the lower quartile includes clubs with the greatest F&B deficits. The upper quartile includes clubs with smaller deficits and surpluses.

Several observations jump out of Table 1 that must be embraced:

1. Regardless of the F&B subsidy, clubs break-even operationally as evidenced by the Overall Club Operating Margin. Data confirms that 75% percent of clubs set the operating ledger (aka income statement) to break-even excluding depreciation (depreciation is a capital expense that manifests on the capital ledger). As communicated in previous Club Benchmarking white papers, the operating ledger is not the club's financial driver. The operating ledger is the vehicle for delivering services and amenities to the members. It is consumed every year by members enjoying the club.

2. The financial engine of a club is fueled by members. Clubs with more members have more money and thus can offer a broader, more compelling member experience. The clubs with greater F&B subsidies have more members. The largest drop in membership count appears in the quartile of clubs choosing a slight F&B deficit or generating a surplus (these tend to be the clubs governed with the edict to not "lose" money in F&B).

3. Club Benchmarking analysis indicates that a club's initiation fee is a proxy for its position in the market. It is both a key driver of capital income and the market's objective measure of a club's value proposition and member experience. Clubs with higher initiation fees have higher membership demand and clubs with lower initiation fees have lower membership demand. As shown in Table 1, clubs with the highest F&B subsidies have seen their initiation fee increase by $40,000 from 2019 to 2024, and clubs with the lowest F&B subsidies have only seen initiation fees increase by $10,000 at the median in the same period.

4. The ultimate measure of a club's financial strength is the equity on its balance sheet. Member Equity on the balance sheet represents the scale of the property, plant, and equipment the club owns (the net book value of property, plant, and equipment represents 75 percent of the assets on an average club balance sheet). In Table 1, the median Member Equity in both 2019 and 2024 are approximately two and a half times greater in clubs with higher F&B subsidies than in clubs with smaller subsidies.

5. Net Available Capital is the amount of capital a club generates. It is the club's financial driver, and the recommended target is to generate available capital equivalent to 20% or more of operating revenue. As seen in Table 1, almost twice as many clubs with the highest F&B subsidies are meeting that target. The reason is simple: those clubs offer a more compelling member experience, reflected by the initiation fee, with F&B as a critical facet of the member experience.

With higher F&B subsidies, clubs consistently achieve break-even on their operating ledgers. This increase also correlates with stronger financial health and operational performance, as reflected in key metrics such as Capital Income to Operating Revenue, Initiation Fees, Member Equity, Net Available Capital Ratio, allocation of Operating Expenses to Non-Golf Sports, Full Member Turnover, and the Dues Ratio. All of these metrics show improved outcomes when F&B subsidies rise.

The data should not be taken as causal – an increase in F&B subsidy does not guarantee a stronger financial position. Nor are we suggesting that clubs should just throw money at F&B. But the data is abundantly clear on this point: losing less money is F&B is not a best practice in the industry. Clubs that subsidize F&B the most are the strongest clubs financially in almost every financial metric. This data should give pause to every board member who clings fast to the notion of making money in the F&B operations.

**Minimum Spend**

Club Boards often view unspent F&B minimums as "free cash." While it may appear that clubs are generating revenue without providing anything in return, this does not necessarily translate to improved financial performance for most. As shown in Table 1 (see page 7) fewer clubs with high F&B subsidies enforce F&B minimums than those clubs with lower subsidies. There is an ongoing question as to whether clubs implementing these minimums expect them to yield additional profit. In clubs that do assess monthly minimums, staff and management often experience higher volume and demand at the end of each month, which can potentially compromise service quality and diminish the member experience.

In 2024, 46% of clubs reported no revenue from unspent minimum. In Table 2 below, we will review the same KPIs from Table 1 for clubs that had revenue from unspent minimum versus those that did not in order to understand the true impact of that revenue on financial outcomes.

### Table 2 – Key Performance Indicators of Clubs with F&B Minimum Spend Revenue vs Clubs with No F&B Minimum Spend Revenue

| Key Performance Indicators | No Minimum | Minimum |
|---|---|---|
| F&B Subsidy as a percentage of F&B Revenue | -25% | -20% |
| F&B Subsidy as a percentage of Dues Revenue (Median) | -13% | -11% |
| Overall Club Operating Margin (Median) | 0.6% | 0.9% |
| Capital Income to Operating Revenue | 20% | 18% |
| Full Member Equivalents (Median) | 529 | 462 |
| Initiation Fee (Median) | $55,000 | $35,000 |
| Member's Equity (Median) | $14,754,533 | $10,376,346 |
| % of Clubs w/ Net Available Capital Ratio >20% | 45% | 38% |
| Full Member Annual Dues | $10,560 | $9,606 |
| Net To Gross PPE Ratio | 49% | 48% |
| Debt to Equity Ratio | 24% | 33% |
| Operating Expense allocated Non-Golf Sports | 12% | 10% |
| Full Member Turnover Percentage | 5% | 5% |
| Dues Ratio | 52% | 50% |
| F&B Revenue per Full Member Equivalent | $5,636 | $5,919 |
| F&B Labor as a percentage of F&B Revenue | 77% | 74% |
| F&B Full Time Equivalent Employees | 37 | 33 |
| Food Cost | 43.7% | 43.6% |
| Beverage Cost | 35.7% | 33.7% |
| Revenue from Unspent Minimum | $0 | $50,127 |
| F&B Revenue per FTE | $83,701 | $90,345 |

In Table 2 above, we see that none of KPIs are significantly better for clubs that have revenue from unspent F&B minimums. At the median, clubs with revenue from unspent minimums had a slightly better operating margin than clubs with no unspent minimum revenue. However, all other metrics are marginally to significantly *better* in clubs that do not have unspent minimum revenue. At the median, food and beverage costs are about the same, but clubs with no unspent minimum revenue have higher dues, higher initiation fees and more members.

**Banquets**

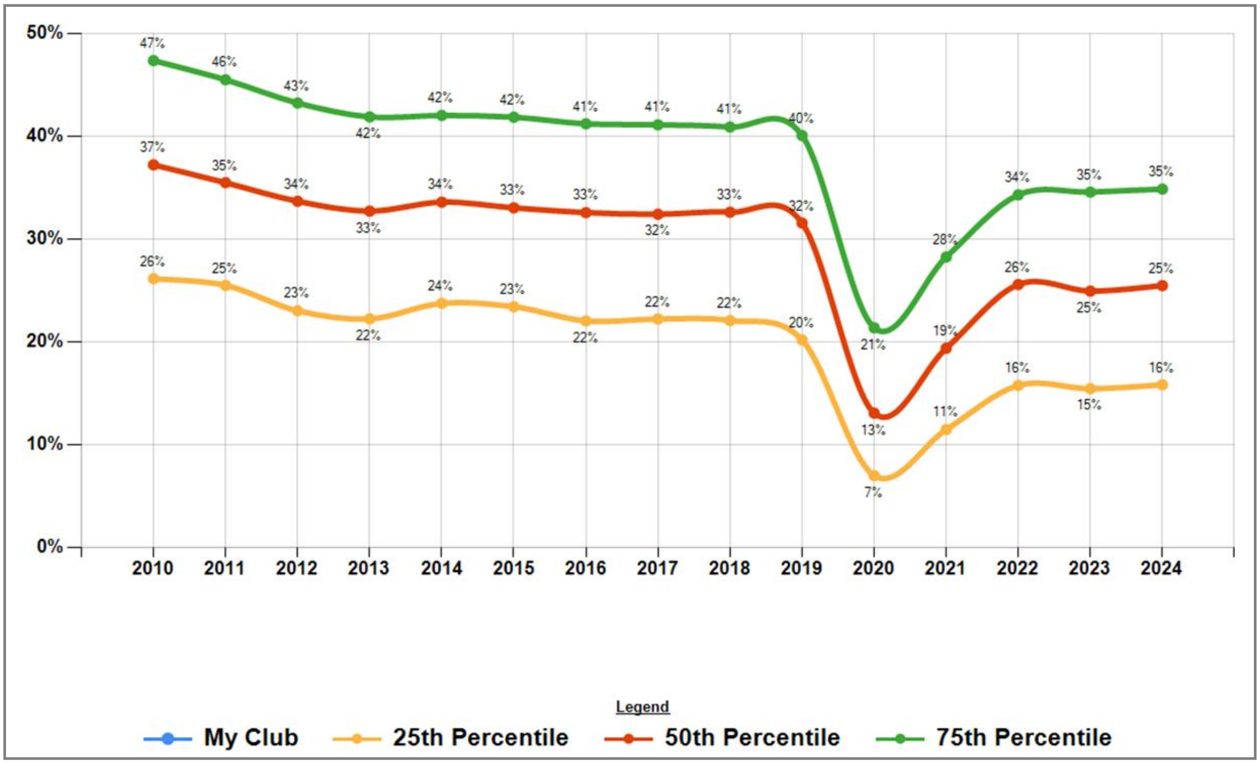
In the 1960s and 1970s, more than 70% of weddings were held in churches. Today, that number has dropped to less than 20% (*according to The Knot and Stacker*). During that earlier era, many private clubs capitalized on this trend by adding function spaces to host wedding receptions. Over time, however, cultural shifts such as the rise of destination weddings and the popularity of non-religious venues that host both ceremonies and receptions have significantly reduced the number of functions held at clubs.

Clubs with business models built around the profitability of weddings now find themselves in a challenging position. Many are exploring new ways to utilize large spaces designed specifically for weddings. Some clubs offer waived room fees or discounted pricing to encourage members to host events, while others open their spaces to non-members to generate revenue.

Clubs that rely on functions as a revenue stream generally fall into two categories. On one side there are clubs that are well-equipped to host events without disrupting the member experience. These clubs have ample parking or separate lots for functions, dedicated entrances and restrooms, and private gathering areas to preserve a sense of exclusivity. They offer bridal suites and secluded spaces for wedding ceremonies that do not disrupt the members or interfere with normal operations. They may also have separate kitchens and staff to ensure both the event and regular dining service receive the highest level of attention. These clubs have made a deliberate commitment to providing an exceptional, uncompromised experience for both members and event guests.

On the other side of the coin are clubs that struggle to find a balance between what they believe are profitable functions with their members' expectations. Overcrowded parking lots displace dues paying members. Shared restrooms can create uncomfortable situations when event guests do not reflect the decorum of a private club. Member dining patios get repurposed for ceremonies during peak times, and locker rooms double as bridal suites and groomsmen lounges. Kitchens designed for regular dining service are pushed to handle large events simultaneously, leading to slower service and reduced food quality. Staff are often stretched thin, with servers expected to manage both the dining room and the event.

### Chart 3 – Banquet F&B Revenue as a Percentage of Total F&B Revenue Over Time




As historical trends illustrate in Chart 3 above, the pandemic also had an impact on this business model when weddings and large gatherings were put on hold. As the data shows, this business has changed, and many clubs have taken the opportunity to rethink their dependence on weddings and banquets. Clubs are relying less on banquet F&B revenue. In 2010, 25% of clubs had banquet F&B revenue equal to 47% or more of total F&B revenue. Today, the top 25% of clubs have banquet F&B revenue greater than 36% of their total F&B revenue. Clubs are focusing more on a la carte dining versus seeking revenue from outside the membership.

We saw that clubs with revenue from unspent F&B minimums are not in a better financial position than those without. Does that same hold true for clubs with a greater proportion of banquet revenue? In Table 4 below, we examine Banquet F&B Revenue as a percentage of Total F&B Revenue. In Chart 3, notice that the 25th percentile is 16% and the 75th percentile is 36%. Table 3 compares the upper and lower quartiles of Banquet F&B Revenue as a Percentage of Total F&B Revenue.

**Table 3 – Key Performance Indicators of Clubs in Upper and Lower Quartiles of Banquet F&B Revenue as a Percentage of Total F&B Revenue**

| KPIs by Banquet F&B Revenue as a % of Total F&B Revenue | Less than 16% | Greater than 36% |
|---|---|---|
| F&B Subsidy as a percentage of F&B Revenue | -31% | -12% |
| F&B Subsidy as a percentage of Dues Revenue (Median) | -14% | -9% |
| Overall Club Operating Margin (Median) | 0.6% | -0.3% |
| Capital Income to Operating Revenue | 22% | 16% |
| Full Member Equivalents (Median) | 471 | 539 |
| Initiation Fee (Median) | $55,000 | $25,000 |
| Member's Equity (Median) | $15,587,196 | $10,316,947 |
| % of Clubs w/ Net Available Capital Ratio >20% | 55% | 25% |
| Full Member Annual Dues | $11,235 | $8,580 |
| Net To Gross PPE Ratio | 55% | 44% |
| Debt to Equity Ratio | 23% | 27% |
| Operating Expense allocated Non-Golf Sports | 12% | 9% |
| Full Member Turnover Percentage | 5% | 5% |
| Dues Ratio | 55% | 44% |
| F&B Revenue per Full Member Equivalent | $5,072 | $6,860 |
| F&B Labor as a percentage of F&B Revenue | 83% | 68% |
| F&B Full Time Equivalent Employees | 29 | 40 |
| Food Cost | 46.0% | 39.3% |
| Beverage Cost | 34.9% | 32.9% |
| Revenue from Unspent Minimum | 1.8% | 1.3% |
| F&B Revenue per FTE | $82,021 | $94,906 |

As with F&B minimums, a higher banquet revenue mix does not correlate with stronger financials at the median. In fact, aside from having a higher member count, clubs with a lower proportion of banquet F&B revenue relative to total revenue tend to be financially healthier than their counterparts with a higher proportion. While some clubs successfully leverage banquet business without compromising the member experience, this balance is critical. If banquets interfere with member dining, satisfaction can suffer, and F&B satisfaction has a much greater impact on overall member satisfaction than many realize.

**The Role of Food & Beverage and Satisfaction**

Every year, Club Benchmarking conducts member surveys with hundreds of clubs and collects tens of thousands of individual member responses. As a part of our survey analysis, regressions are used to understand the factors that most significantly influence Overall Member Satisfaction with food and beverage operations. Rather than relying on simple averages or anecdotal feedback, regression is a data-driven approach which isolates the impact of individual variables such as menu variety, service quality, pricing, and staffing levels, while controlling other factors. This helps identify which elements truly drive satisfaction and which have minimal effect, providing clarity for decision-makers.

Regression analysis enables benchmarking by predicting expected satisfaction scores based on a club's unique characteristics, helping managers understand whether their performance aligns with industry norms. In practical terms, a positive coefficient (R Squared) for a variable means that as that factor increases, such as improvement in service quality, member satisfaction is expected to rise, while a negative coefficient indicates the opposite effect. Ultimately, this approach transforms raw survey and operational data into meaningful strategies for enhancing the dining experience and overall member engagement.

**Table 4: What Drives Overall Member Satisfaction?**

| Question/Amenity | Correlation (r) |
|---|---|
| The Club Keeps Me Well Informed | 0.67 |
| Management Overall Satisfaction | 0.63 |
| Board Overall Satisfaction | 0.59 |
| **F&B Overall Satisfaction** | **0.47** |
| Events Overall Satisfaction | 0.28 |
| **Golf Course Overall Satisfaction** | **0.27** |
| Golf Shop Overall Satisfaction | 0.11 |
| Overall Pool Facility | 0.07 |
| Pickleball Overall Satisfaction | 0.07 |
| Tennis Overall Satisfaction | 0.06 |

Applying regression models allows us to measure both the strength and direction of relationships between key variables, offering actionable insights to enhance member experience. Our research shows that **F&B Satisfaction has the strongest correlation with Overall Member Satisfaction of ANY amenity, at 0.47**. In fact, its influence is nearly double that of Overall Golf Satisfaction, which stands at 0.27.

When running a multi-variable regression with F&B Satisfaction, Management Overall Satisfaction and Board Overall Satisfaction, we get an R-squared of 0.76. That is staggering! Most of the clubs that do not subsidize F&B have boards that spend most of their meetings talking about food costs, F&B labor, and other operational/non-strategic items. These regressions demonstrate that the focus on F&B should be about experience, not profit.

F&B is the most influential amenity in driving overall member satisfaction, and yet it is often the lowest rated in private clubs. Why? One key reason is the competitive landscape. There are nearly 300,000 restaurants in the United States compared to about 3,700 private clubs, a ratio of almost 100 to 1. With so many dining options available, members naturally compare their club's dining experience to their favorite restaurants outside the club. If the club experience pales in comparison to other venues, members may grow dissatisfied and choose not to use the club's dining venues, leading to a negative culture.

Some club leaders respond by trying to replicate the restaurant business model within the club, but this approach overlooks a critical reality: **you are not in the restaurant business, you are in the club business**. Unlike restaurants, which can serve an unlimited customer base, private clubs serve a finite membership. This fundamental difference means success depends on delivering a personalized, member-focused experience.

Unlike measurable amenities such as course conditions or facility upkeep, dining satisfaction is highly subjective. Personal preferences for taste, presentation, and service vary widely, making it challenging to meet expectations consistently. Given that F&B satisfaction is the most influential factor in driving overall member satisfaction, the critical question becomes: What factors drive F&B satisfaction itself?

**Table 5: What Drives Overall F&B Satisfaction?**

| Food & Beverage Factors | Correlation (r) |
|---|---|
| **Preparation Consistency** | **0.83** |
| **Food Quality** | **0.73** |
| **Menu Variety** | **0.61** |
| **Menu Rotation** | **0.55** |
| Value for my Dollar | 0.53 |
| **Healthy/Dietary Options** | **0.53** |
| Table Availability at Dinner | 0.48 |
| Service | 0.46 |
| Dining Room Ambiance | 0.39 |
| Hours of Operation | 0.17 |

As seen in Table 5 above, most F&B factors are highly significant in determining Overall F&B Satisfaction. The top four most influential factors are all related to the kitchen, or in industry terms, the Back of House. The term refers to the areas of a club's dining venue that are not typically visible to members but their impact on Overall F&B Satisfaction should serve as a reminder that they can never be "out of sight, out of mind."

**The Physical State of the Kitchen and Its Effect on F&B Satisfaction**

Club Benchmarking has recently begun analyzing and mapping Fixed Asset Registers (FARs). The FAR is a detailed record of a club's fixed assets, (aka property, plant, and equipment.) Fixed assets include long-term tangible items such as buildings, machinery, vehicles, furniture, and equipment. We are preparing a separate white paper on the importance of maintaining accurate FARs, and it's worth noting that most of the FARs we've reviewed through that initiative are in disarray.

In many clubs, the Fixed Asset Register exists as an outdated Excel spreadsheet, and it is only reviewed when requested by an auditor. Typically, the FAR includes details such as asset name and description, purchase date, purchase price, depreciation method, accumulated depreciation, and net book value. One key performance indicator derived from this data is the Net-to-Gross PP&E Ratio, calculated by dividing the total current book value of all assets by their original purchase price. Currently, the industry median Net-to-Gross PP&E Ratio is **49%**.

Interestingly, you can often estimate a club's Net-to-Gross PP&E Ratio simply by looking around. Is the parking lot cracked, and the lines faded? Is the clubhouse well maintained, or do some areas look tired while others appear recently renovated? These visual cues often reflect the state of the club's assets. When it comes to F&B, the challenge is even greater because the kitchen, the heart of F&B operations, is out of sight and often out of mind.

As a key part of our FAR research, we are examining Net-to-Gross PP&E Ratios by department in addition to the overall Net-to-Gross Ratio of the club. Preliminary findings show that clubs with modern, well-maintained kitchens have significantly higher F&B satisfaction and overall member satisfaction compared to those with heavily depreciated kitchens. In older kitchens, we frequently see outdated equipment, poor ventilation, failing refrigeration units and other issues that compromise both staff efficiency and member health and safety.

Because these spaces are hidden, they are often neglected. Imagine a busy Friday night dinner service with only three of eight burners working, a grill that functions at half capacity, two operational ovens, an undersized walk-in cooler, and a hood system past its useful life that leaves the kitchen temperatures above 100 degrees. Add an inefficient dishwasher and cramped conditions and it's no surprise these clubs experience high turnover among chefs and kitchen staff. Some leave for better working conditions; others are dismissed because members are dissatisfied with the dining experience.

The scenario we've described is critical because our research confirms that the top four drivers of F&B satisfaction are kitchen-related, with Preparation Consistency being the most influential. Preparation Consistency is virtually impossible to execute without reliable equipment and a stable team. Just as clubs would never expect their course maintenance team to mow fairways with a five-year-old push mower from a hardware store, they should not expect culinary excellence from an underfunded, outdated kitchen. Yet many volunteer leaders and members, who have never stepped foot in the kitchen are quick to criticize staff performance without understanding the operational limitations.

**The Driver of F&B Results**

The following factors impact financial outcomes in F&B:

1. Number of venues available for service.

2. Number of meal periods and service hours available.

3. Quality of food and beverage served.

4. Service levels – number of F&B personnel available to serve the members.

5. Pricing – many clubs set prices to target a la carte dining at 40% Cost of Goods, but there is wide variation across the industry.

6. Mix of revenue between banquets and a la carte dining.

Each of the factors listed represents a choice made by the club. Some clubs choose to have significant banquet revenue, actively seeking outside functions, weddings, etc. Other clubs choose to restrict banquet revenue to members-only. Some clubs choose to have one or two venues with restricted meal periods and service hours, other clubs choose to serve three meals per day, 365 days per year, even if only one person shows up for breakfast on a Thursday morning. Some clubs choose to offer huge buffets for a low price; other clubs choose to make a profit on every F&B offering. Some clubs choose to have a per-chit gratuity, some clubs choose a level service fee, a few clubs choose to not have a service charge. In the end, it is these choices that drive the F&B outcomes.

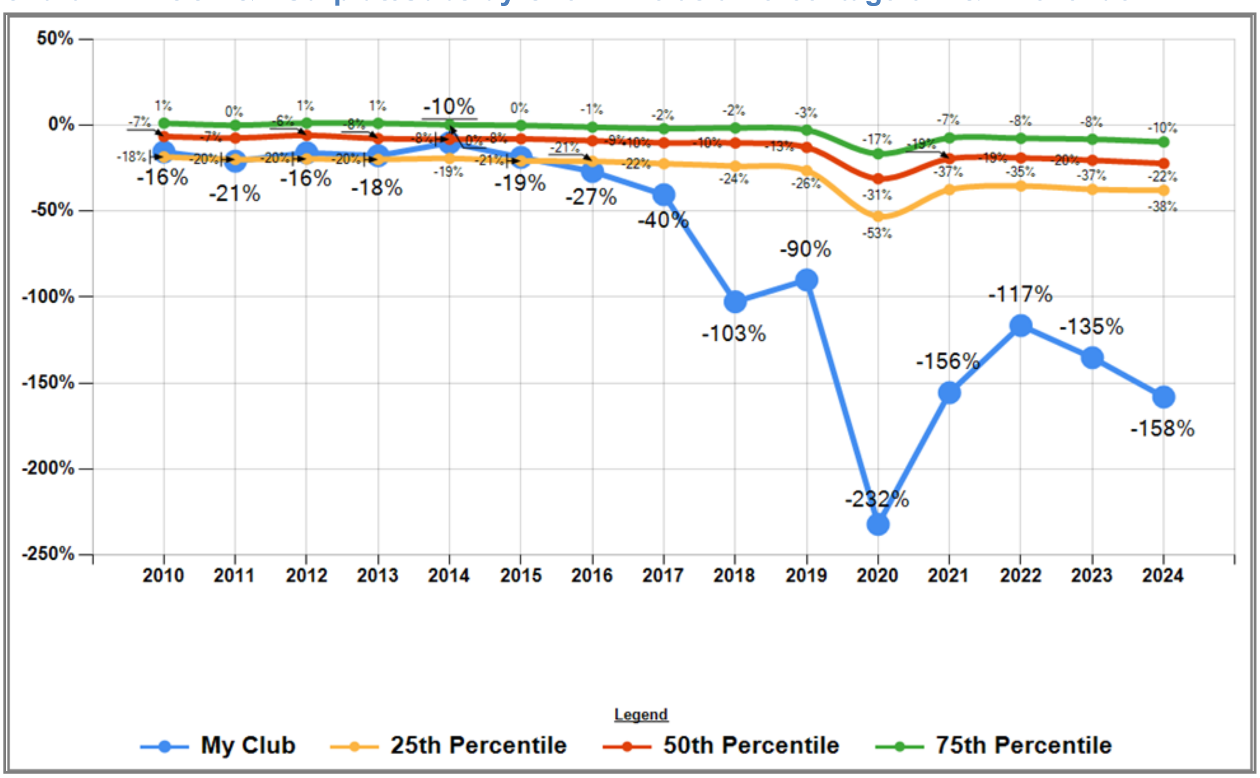
**A Different Perspective**

The 2020 F&B whitepaper highlighted decisions made by the leadership of Monterey Peninsula Country Club (MPCC). In 2017, MPCC decided that non-Cost of Goods (COGs) F&B expenses (labor, supplies, entertainment expenses, etc.) should be considered a fixed expense to be shared equally by all members, just as golf course maintenance is a shared expense. The club's dues were increased for every member to cover those expenses, which allowed the club to shift away from covering the non-Cost of Goods F&B expenses through margin on sales of F&B.

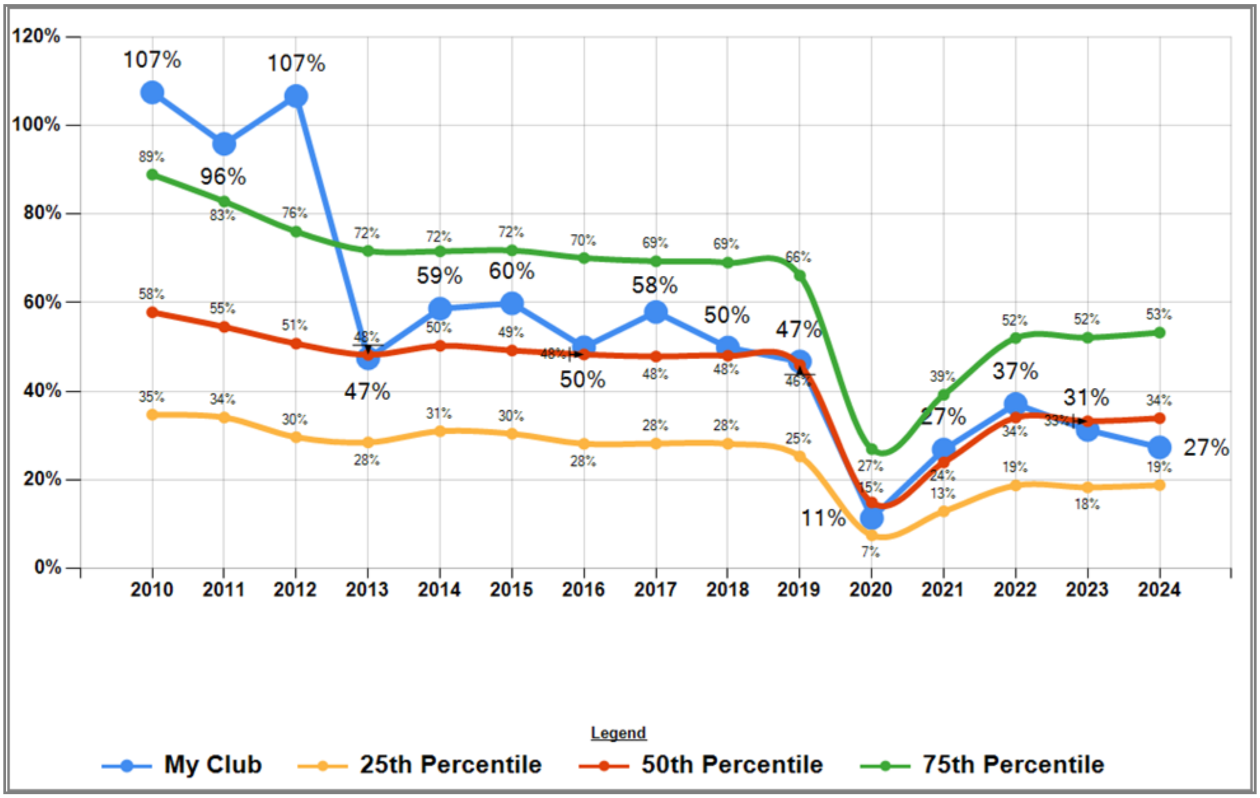
That decision allowed the club to set menu prices at a mere 10% above the cost of goods. MPCC now operates at a 90% cost of goods for member a la carte dining. Menu prices dropped between 60% and 65%. For instance, a Prime 14-oz Center Cut Ribeye is priced at $30. At most high-end steakhouses, the same steak would sell for $90 or more, and in MPCC's previous operating model (the typical model of 40% COGs for a la carte dining) it would sell for $60+. High-end wines are now $9 and $10 per glass, and a popular house wine is $4 per glass.

Member satisfaction at MPCC, already high prior to the change, reached stratospheric heights. Member usage of the club is energized, and a la carte cover counts (a measure of member usage of the F&B amenity) have more than tripled.

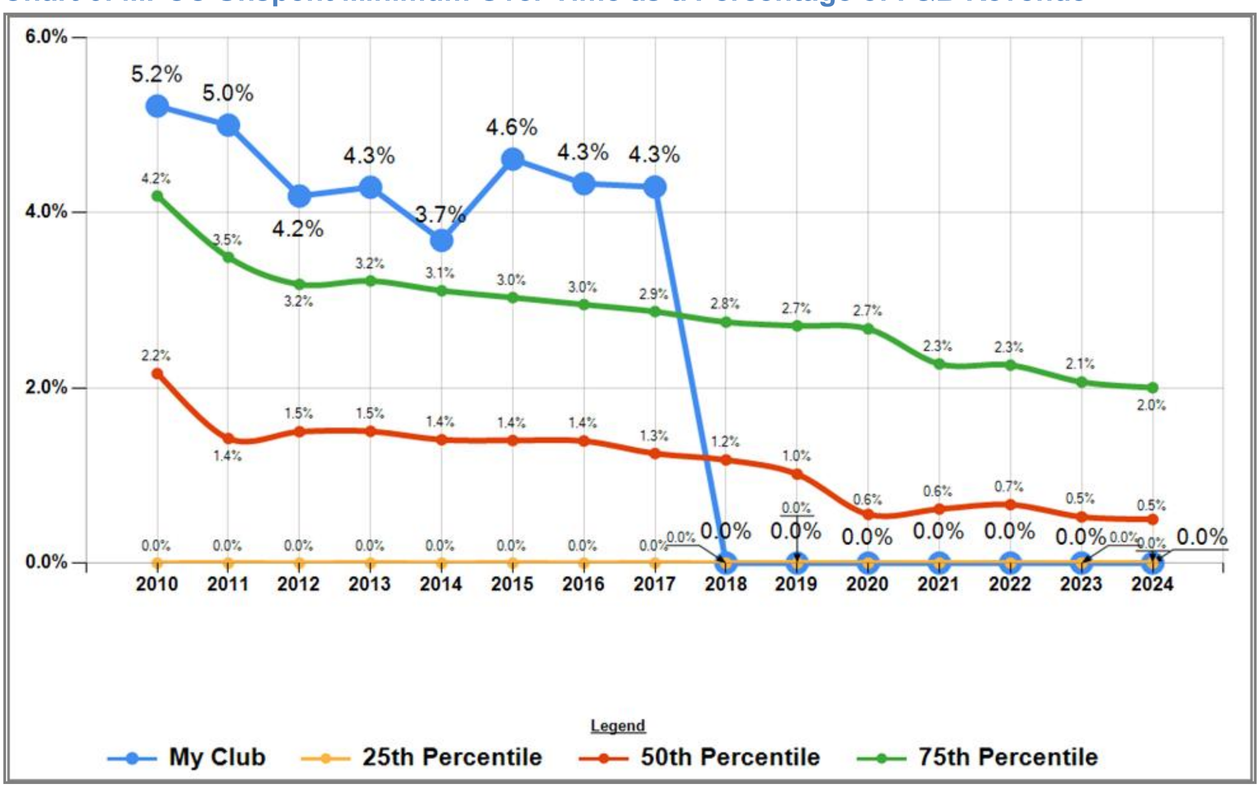
**Chart 4: MPCC F&B Surplus/Subsidy Over Time as a Percentage of F&B Revenue**



## Chart 5: MPCC Banquet Revenue Over Time as a Percentage of A La Cart Revenue




## Chart 6: MPCC Unspent Minimum Over Time as a Percentage of F&B Revenue



In Charts 4, 5, and 6, you can clearly see the turning point in 2017 when the MPCC management team, Board, and membership collectively made the intentional decision to treat F&B as an amenity. While the club's F&B "loss" increased significantly, the additional dues revenue more than offset the increased subsidy. The proportion of dues allocated to F&B has grown from 15% to 33%, and it climbed to 37% in 2024. This was a deliberate strategic decision, fully understood and supported by the Board, Finance Committee, membership, and staff and the club's data confirms that it strengthened the club, not weakened it.

The decision was to spread the non-COGS (Cost of Goods Sold) expenses of F&B equally across the membership rather than relying on margin from sales. In contrast, most clubs still depend on margin to cover these costs, which means heavy users subsidize F&B for less frequent users. Does that make sense? Would it make sense in golf? Imagine if, after paying dues, members also had to pay greens fees every time they played. Avid golfers would effectively be subsidizing the game for occasional players.

The driver of MPCC's F&B financial outcome is clear: they made a **choice**. The club chose to treat F&B as a member amenity, covering costs through dues rather than pricing strategies aimed at generating margin. That decision has had a positive impact on member satisfaction. Ultimately, just like golf, the cost of operating F&B must be covered one way or another; either through a dues subsidy or through pricing that produces margin.

**Margin versus Dues**

Ultimately, the question across the club industry is whether to lean toward covering the non-COGs cost of F&B through margin on sales or through a subsidy using dues. A bit later in this paper, we will demonstrate that course maintenance expenses are routinely covered with dues as opposed to margin. A common and pervasive misconception is that subsidy levels equate to efficiency (or lack thereof) versus being the result of a conscious decision to cover expenses using a dues subsidy instead of relying on margin.

Let's take two clubs as an example. Club A has an extensive number of lunch and dinner buffets every week with a vast spread of food, meat, fish, poultry, cheese, fruit, vegetables, starches, pizza, ice cream, pastries, etc. They charge each member $19.95 to partake. Club A also has a member event every other week with entertainment and themed dinners – Mexican, Italian, French, Mediterranean, Brazilian, etc. The club chooses not to charge members to cover all of the costs, but rather to offer their events at a low price to increase participation and satisfaction.

On the other end of the spectrum, Club B is governed with the edict of "don't lose money in F&B." If they have a buffet or a member event, the board and finance committee implore the staff to never "lose" money. The cost of the buffet or event must be covered by the price charged to partake. At Club B, the staff is constantly running reports to prove to the board and finance committee that their member events never "lose" money (this is a real example).

A few questions in regard to those scenarios:

1. Which club has more participation in their buffets and other events?

2. In which club do members walk away thinking – “WOW! What a great deal that was. I love this club.”

3. Which club has higher dues and initiation fees which reflect the increased value of being a member?

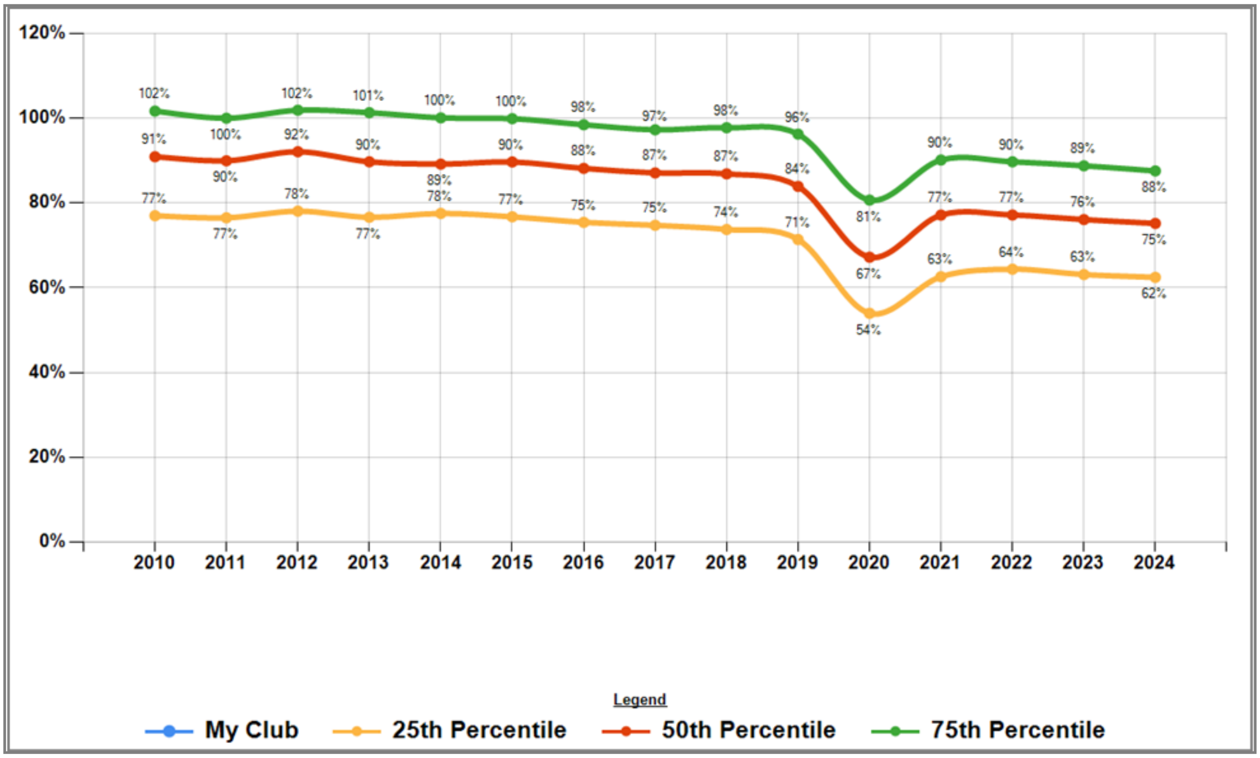
4. Which club is healthier financially?

According to the data, Club A is winning on all counts. Club A chooses to operate F&B on lower margin (as a result of lower prices and higher COGs due to more varied choices and higher quality). The lower margin results in Club A using more dues revenue to subsidize the non-COGs F&B expenses. It is simply a choice.

The primary goal of this white paper is to present a fact-based perspective of F&B supported by industry data. Club A makes a choice to increase the value offered to members through its F&B programming. Their “loss” is not a result of inefficiency but rather it is a result of that choice. If this white paper causes widespread acknowledgement that F&B deficits are related to that choice, it will have achieved its goal. Clubs have a choice, and financial results in F&B are a direct result of that choice.

Charts 7 and 8 illustrate the outcomes over time of each approach to covering F&B expenses. As seen in the earlier charts, the results stayed relatively consistent from 2010 up to the pandemic. After 2020, we see that the number of clubs subsidizing F&B expenses with dues instead of relying on F&B margin is increasing.

## Chart 7 – Approach to Covering F&B Expenses Over Time: F&B Margin




## Chart 8 – Approach to Covering F&B Expenses Over Time: Dues Subsidy

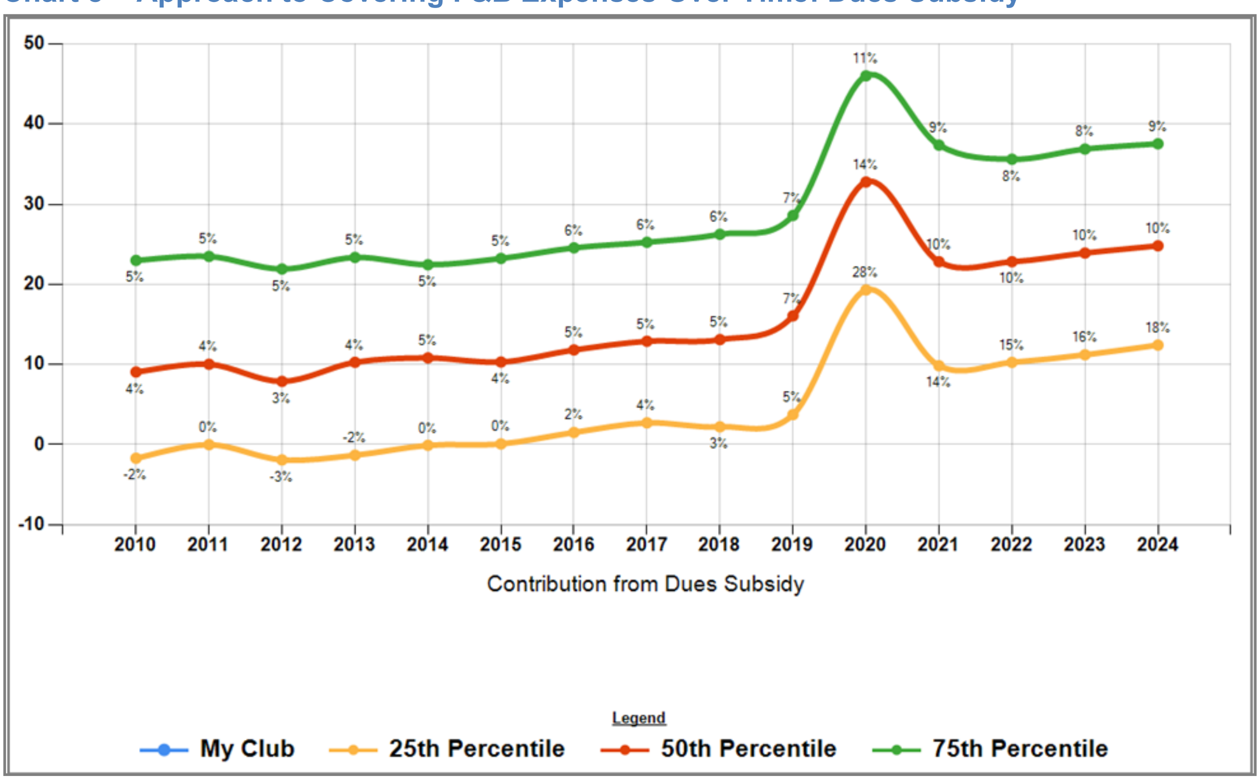


**Table 6 – Dues Subsidy vs Margin Approach: The Pros & Cons**

| | PROS | CONS |
|---|---|---|
| **MARGIN** | • Easier to rationalize margin approach to members because F&B subsidies run counter to "conventional wisdom." | • Unequal expense distribution means heavy users subsidize expenses for lighter users.<br>• Less value delivered to members.<br>• Focus on F&B bottom line in board and finance committee takes focus away from the club's value proposition. |
| **DUES SUBSIDY** | • Equal expense distribution across membership.<br>• More value delivered to members as reflected by initiation fee.<br>• Fosters a culture of members thinking like owners versus customers<br>• Allows board and finance committee to focus on the club's value proposition.<br>• Higher member satisfaction and better member experience. | • The reason the dues are higher must be explained to the members. |

In summary, bottom-line results in F&B are driven by the choice between covering F&B expenses through margin or dues subsidies, not by efficiency or lack thereof. Clubs choose their approach and that choice has consequences in relation to the member experience.

> Embracing the fact that the club's financial outcomes in F&B are the result of choices and not a measure of efficiency leads to healthier and more strategic dialogue in the boardroom.

**Why the Focus on F&B?**

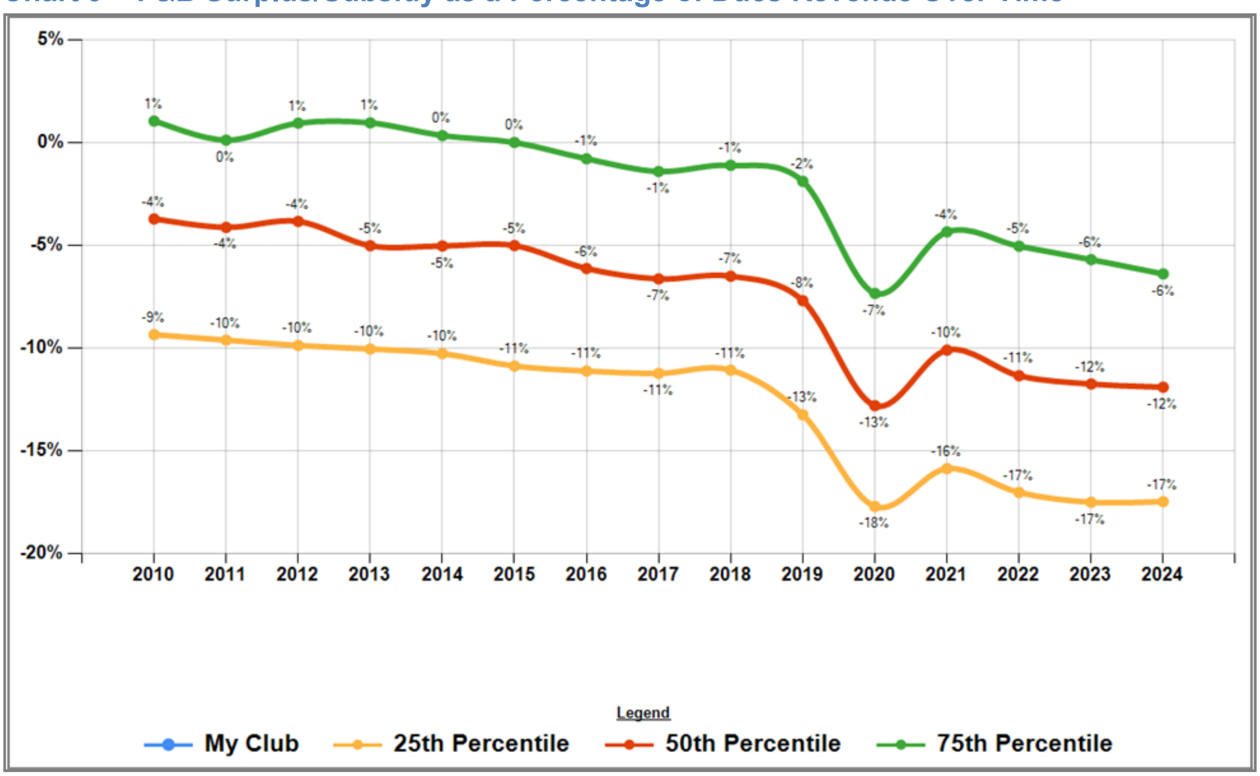
Club Benchmarking receives hundreds of calls a year from clubs with questions about their "losses" in F&B. In 15 years of serving the industry, we have not received one single call inquiring about the "loss" in golf even though the golf "loss" is significantly greater.

Charts 9 and 10 below compare the proportion of dues revenue distributed to subsidize F&B versus golf. Clearly, golf requires a significantly larger subsidy than F&B, but that is rarely if ever debated by boards and committees. Golf is universally understood as a dues-subsidized amenity, while the significantly smaller subsidy in F&B remains a lightning rod.

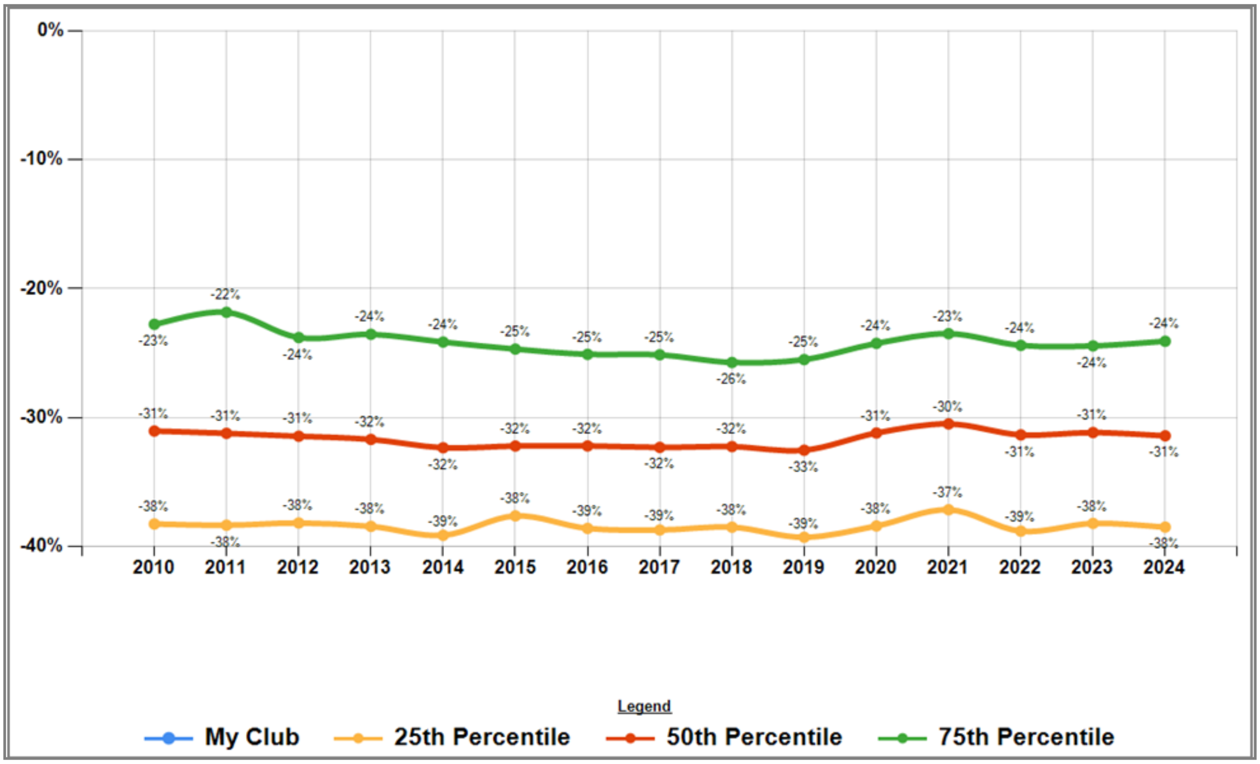
Despite the obvious fact that public golf courses make money, that's never raised as a comparative benchmark. Why not? These questions are rhetorical, but they highlight the flawed logic that lies at the heart of the "F&B trap."

The difference is perspective: everyone dines out and may unconsciously apply a commercial-restaurant lens to a private-club model despite the fact that objectives and constraints differ. Reframing F&B as an amenity, funded intentionally via dues or margin, aligns governance and members with the realities of the club business.

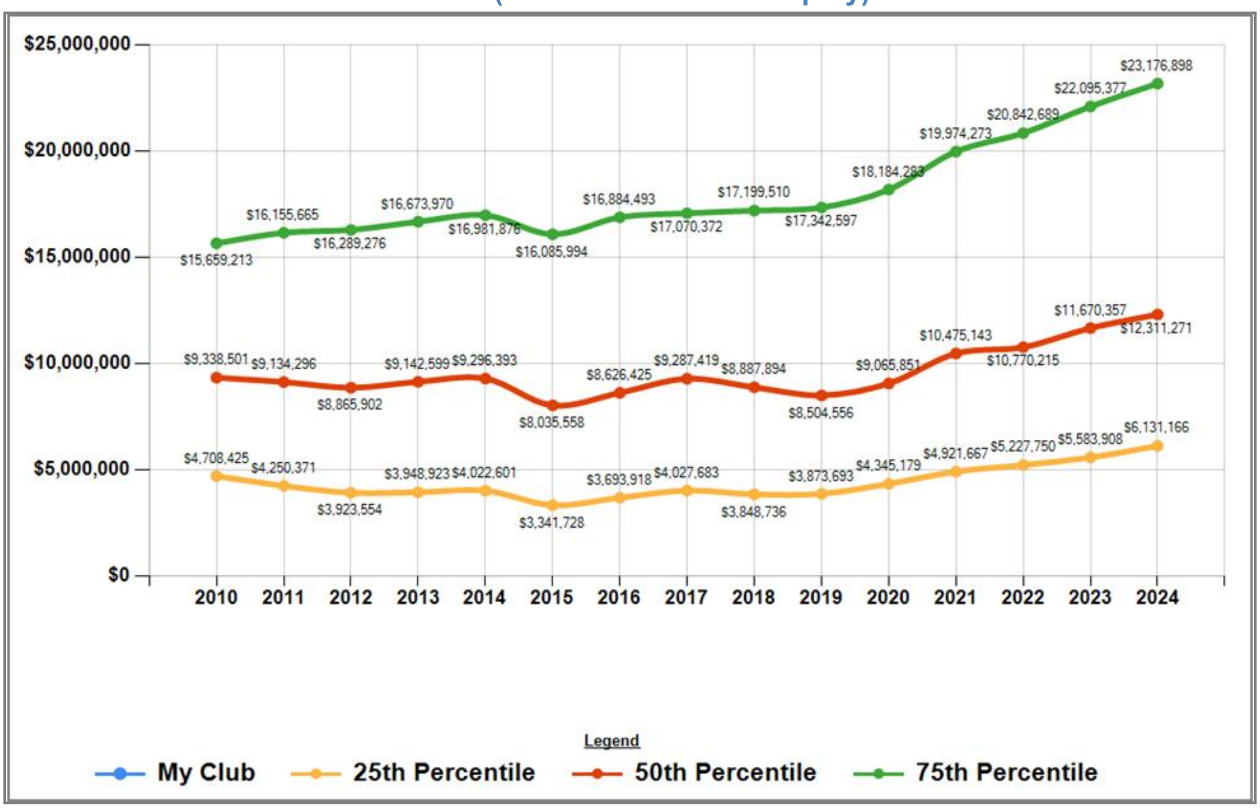
### Chart 9 – F&B Surplus/Subsidy as a Percentage of Dues Revenue Over Time



## Chart 10 – Golf Surplus/Subsidy as a Percentage of Dues Revenue Over Time




## Chart 11 – Unrestricted Net Assets (Net Worth/Member Equity) Over Time



**The Fact-Based View of F&B**

The data we've presented in this report shows that financial outcomes in Food & Beverage are driven more by strategic choices than by efficiency levels. In fact, we would argue that "efficiency" is an overused, often misleading term and that "effectiveness" is a better fit in the context of a private club. Let's look at the definitions:

**Efficient** – using the least amount of input to achieve the highest amount of output.

**Effective** – producing a desired or intended result.

To be clear, we are not suggesting that waste is acceptable, but efficiency and waste are simply not the same thing. Efficiency is commonly defined as completing a task or producing a result with the least possible effort, cost, or resources (time, energy, materials). Waste, on the other hand, is the careless or unnecessary use of those resources.

In private clubs, focus on efficiency ignores a critical factor; **the member experience**. Clubs prioritizing efficiency often do so to the detriment of the experience members value and expect.

Interestingly, a common contradiction we see from club leaders and members alike is a demand for efficiency and a penchant for complaining about slow service contrasted by entrenched resistance to any hint of a dues increase.

That does not mean that every single club is precisely equal in terms of efficiency, but Club Benchmarking analysis of industry data shows that less than eight percent of a club's overall operating expense is influenced by efficiency. The focus on F&B is misplaced – it is choice that drives the outcome, and the impact of those choices is apparent. Clubs that choose to subsidize F&B the most have higher initiation fees, more capital and higher member's equity. Clubs compete on value, not price, as evidenced by the Monterey Peninsula Country Club story we shared at the beginning of this white paper. For MPCC members, the ability to enjoy world-class F&B for 10 percent above the cost of goods instead of the 300 percent typical in high-end restaurants (operating to 33% COGs) creates tremendous value.

A fact-based discussion of F&B financial outcomes and the quality and service levels in clubs begins with the recognition that the outcomes revolve around choice, not efficiency. What some might call an F&B "loss" at MPCC represents increased member value and satisfaction driven by a choice to cover non-COGs F&B expenses with dues, distributing those costs equally among the members, rather than relying on margin. It does not represent inefficiency or poor management. Volunteer committees and board members would be doing their club a service to embrace this fact-based perspective.

The goal of **every** department in a club is to offer an experience that attracts members to the club and inspires member usage. The F&B department is no different. Clubs that are strongest overall financially make a choice to treat F&B as an amenity and to pay for the amenity as they pay for golf, by choosing to spread as much of the expense across all members equally via dues as opposed to making the heavier users cover the expense through margin. Five minutes spent studying Table 1 will make that concept clear.

**What Topic Replaces the Subsidy Discussion and Debate?**

When board and committee members fully embrace the perspective shift outlined in this white paper, it can be transformative for the club. At MPCC, this shift drove meaningful innovation in pricing strategy and the decision to treat F&B as an amenity. The result has been overwhelmingly positive, producing benefits far beyond what can be captured here.

The data presented clearly demonstrates that discussions about F&B should move away from a narrow focus on profit, loss, or operational efficiency. Instead, the emphasis should be on member satisfaction, engagement, and enjoyment of a vibrant F&B program. Financial conversations should focus on building net worth over time and ensuring adequate capital resources, just as greens committees focus on continuously improving the golf course. The same mindset should apply to house committees: F&B, based on data that shows it has nearly double the impact of golf on Overall Member Satisfaction, should be viewed as an amenity with a powerful ability to attract new members and enhance the experience for existing members.

Innovation often begins with a shift in perspective. Steve Jobs proved this with the introduction of the touchscreen; MPCC proved it through the transformation of its F&B program. Every club has the opportunity to innovate by embracing a fact-based, data-driven approach. Ultimately, it’s about delivering member value across every department, especially F&B.

Fiduciary responsibility demands that decisions be grounded in data, not assumptions or opinions. For those involved in club governance, the logic and data in this paper present a clear choice. You can embrace these insights, even if they challenge long-held beliefs, and help your club thrive, or you can ignore them. Rejecting the evidence presented here is a step in the wrong direction for leaders committed to fulfilling their fiduciary duty.

The reality is simple: A private club is not a restaurant and food and beverage is not a profit center. It is an amenity subsidized by membership dues, just like golf and other offerings. The club determines the balance between subsidy and member experience, and it is that choice, not operational “efficiency”, drives the financial outcome. As the data clearly shows, clubs that embrace F&B as an amenity consistently demonstrate stronger overall financial performance and higher member satisfaction.