arts about manchester

Food for Thought

Maximising Income Challenge:
Partnerships between arts venues and catering

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Food for Thought
EXECUTIVE SUMMARY

With the increase in the number and quality of eating and drinking outlets across our urban centres, catering within arts venues needs to assess its value in a competitive market, both in terms of profitability and benefits to its users.

Catering within arts venues has always included a combination of operations run in-house, those managed by the council and large national contract caterers selling branded product across the UK. There is also a recent trend in Greater Manchester towards new locally owned independents aiming to extend their brand.

Food for Thought presents a picture of catering in arts organisations across Greater Manchester and identifies some of the critical success factors and universal truths that will help create a benchmark to be shared, not only between venues locally, but as a model across the UK.

The overarching questions the research asked were
- the purpose of providing catering
- who the facility serves (arts attenders or new audiences)
- the profitability of the operation

Summary of findings and recommendations

Why provide a catering outlet?

Catering is by no means a requirement within an arts venue and any organisation should consider the necessity of having a café at all when such space might meet core objectives more directly by use as a workshop room or gallery space.

If catering is to be embarked on, it is crucial to know the local catering market and competition to ensure the outlet within the arts venue complements rather than competes with existing operators, for whom catering is the core business.

In addition, it is necessary to clearly identify what the main drivers are for catering provision before setting targets. The most common drivers identified are
- income generation
- service for existing arts attenders
- marketing tool to attract non arts attenders

As catering is not a core business activity of any arts organisation it cannot justify making a loss and thereby using subsidy planned for artistic purposes.

This research identifies performance indicators based on income generation against size of operation which, if arts organisations measure, will provide a benchmark from which to assess the success of their own catering arm.

How do you decide on the best management arrangements?

The management of catering within arts venues is run variously in-house or out-sourced to either national caterers or local independents.

Research suggests that in-house catering increases the risk of loss, but may also offer the greatest potential for profit.

Out-sourcing for rent or profit share guarantees an income, but the contractual issues around profit share are often complex and cause conflict if not clearly defined and regularly reviewed.

Although farming out catering may lessen the financial risk for the venue, it does not remove responsibility for ensuring a well-run café. If a café is doing badly it will reflect poorly on the whole organisation.

Whatever the contractual arrangements, working together on management decisions and staff training is vital to prevent the potential culture clashes, which are common, between subsidised arts organisations and commercial catering operators.

Good partnership between the venue and caterer also ensures consistency in quality and style between the catering and arts activity, so that the drive to reach new audiences does not put off regular attenders.

How do you ensure the success of the café?

A door direct from the café to the street is essential if the café is to become a destination in its own right. Without this, its success remains largely dependant on visitor numbers within the arts organisation.

Opening the café outside normal opening hours of the arts organisation also increases the chance of success at attracting non arts attenders, although as mornings appear to attract a consistently low percentage of visitors, this should be taken into account when making decisions on opening times and staffing.

Proper signage and an internal door between the café and the main arts building are also important to ensure good crossover between users of the café and arts facility.

Incentives, co-promotions and menus that adapt to the arts programme all are mechanisms to increase these crossovers and increase users of both facilities.

Women and over 16s make up the majority of visitors to cafés in arts venues because they are perceived as safe environments although this same fact may be a barrier to younger male visitors who are looking for somewhere more lively.

Although most people eat and drink whilst in an arts café, spend per head is generally low. The menu and service need to reflect this, concentrating on quick convenient snacks

Cold, pre-packaged quality foods, that can also be taken away, can double the number of possible covers.

Methodology

The research was undertaken through a combination of

- postal questionnaires to venues
- one to one interviews with management and caterers
- market research in 6 catering outlets
- specialist catering consultancy in 3 catering outlets

Questionnaires for all venues

In order to have a context to the detailed case studies of catering within arts venues, a questionnaire was designed and sent to Arts About Manchester's 40+ membership in June 2004.

These questions sought to answer the three guiding questions for the research of considering the purpose of providing catering, who the facility serves and the profitability of the operation. The questions which were used to identify these three areas were as follows:

- what are the current catering arrangements within venues
- what facilities were on offer at what times of day
- who the current users were
- customer loyalty
- profitability
- plans for development/change

To ensure 100% response to the form, telephone follow up was made with all those that had not replied by the end of June deadline.

One to One Interviews

Following the questionnaires, more in depth interviews were held with a range of venues.

The interviews specifically addressed the dual roles of catering as a source for income generation and as a marketing tool for the venue, and explored where these might complement or conflict with each other.

In addition, the interviews provided an opportunity to capture a sense of what the venues themselves felt were the critical success factors for their operation. Many were generous in providing financial data, business plans and contractual terms.

Ten interviews were held with 4 performing arts venues and 6 museums or galleries, 6 from central Manchester and 4 from Greater Manchester.

The venues interviewed were: The Bridgewater Hall; Cornerhouse; Gallery Oldham; Manchester Museum; The Met; Museum of Science and Industry in Manchester; The Octagon Theatre; The Royal Exchange Theatre; Touchstones Rochdale; Urbis.

Market research

As a result of the interviews above, 6 venues were selected to undergo market research to test perceptions of who used the catering facility and why.

There was extensive interest from venues to take part in the market research, but the sample needed to meet specific criteria, which were:

- need to be generating income from the catering facility
- need to cater for the general public as well as arts attenders
- willingness to actively distribute our market research materials at point of sale

The 6 partners identified to undertake market research were:

Venue	Catering contractor	Location
Cornerhouse	Grinch	Manchester
Manchester Museum	Kro	Manchester
The Met	Automatic	Bury
Gallery Oldham	Bar 360	Oldham
Touchstones Rochdale	Council contract	Rochdale
Urbis	In house	Manchester

A generic questionnaire was designed and printed in postcard format to be completed by customers in each venue. Caterers handed these out with the menu or bill to maximise response rates. In addition a market researcher made a number of visits to each venue to carry out face to face interviews and to ensure the paper questionnaires were collected and topped up throughout the research period.

The questions included

- time of day when visiting
- age and gender of visitor
- frequency of visits to the venue
- reason for visit
- what is being consumed and approximate value of spend
- awareness /frequency of visits to arts /museum programme
- other venues visited in Manchester

The sample represents responses from approximately 1000 users and is available to the participating venues. For many of the venues this is the first time they have undertaken market research.

Catering consultancy

Discussion with the selected venues and a panel of experts identified the benefits of external catering consultancy on a one-to-one basis with a small number of venues.

Taking recommendations from experts and from venues who had worked with consultants in the past as well as from web research a shortlist of consultants was created (who are all attached in appendix one).

Participating venues were asked if they would be interested in taking part in a '*Changing Rooms'* style consultancy with a external catering consultant, to look at how minor changes might make an major impact on their bottom line.

The three venues selected to take part in this were: Gallery Oldham and Bar 360; Touchstones Rochdale; and Urbis (Manchester).

The three venues interviewed the shortlist of consultants, along with Arts About Manchester. This allowed the venues to take ownership of the relationship with the consultant whilst also benefiting from the experience of their peers.

In each interview the consultant talked about their range of skills and was then asked to respond to the specific needs outlined by each venue in turn.

From this process, all three venues chose to work with John Benson Smith, a catering consultant who has been an award-winning chef, a restaurant manager and entrepreneur as well as a consultant on a range of catering establishments (from Manchester Stadium to the NHS and from country house restaurants to British Rail).

The full consultant's reports were agreed to be conducted confidentially with each catering establishment. Recommendations are summarised in this report.

Web enabled benchmarking

From the research, Arts About Manchester will disseminate a document with recommendations of good practise and create a web-enabled benchmark (alongside the existing How's Business Survey) to establish common performance indicators which could be monitored by all venues and used for comparison across the sector.

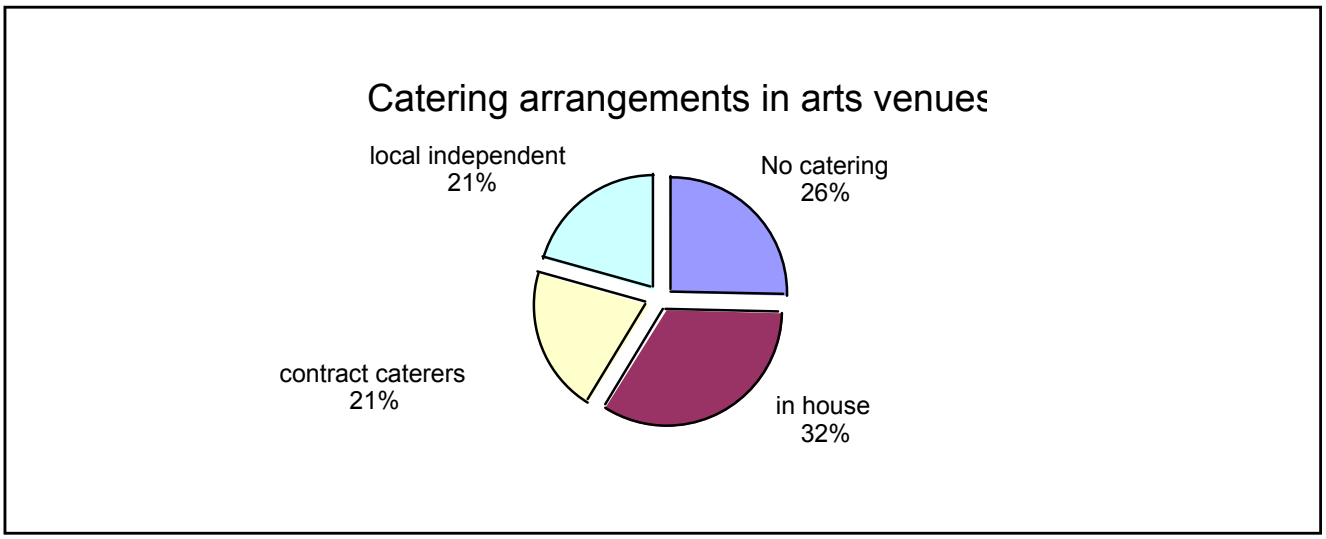
Analysis of findings

Questionnaires to venues

Questionnaires were distributed to all Arts About Manchester members, from whom we received 39 responses: 22 from galleries or museums and 17 from performing arts organisations; thus representing 24 city centre organisations and 15 from across Greater Manchester.

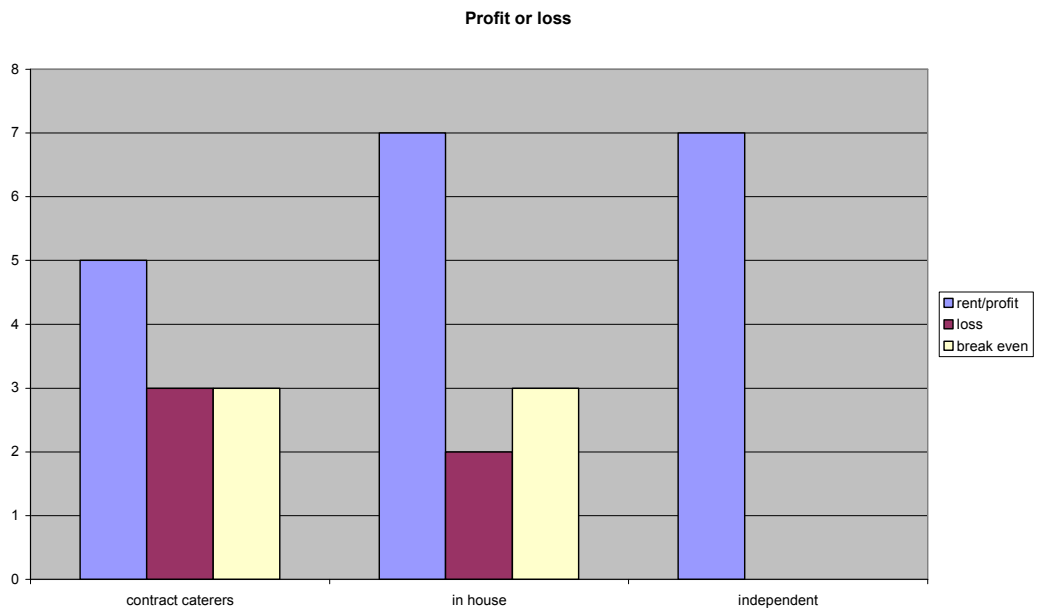
Of these respondents, 10 had no catering facilities at all. Furthermore, in the case of some performing arts organisations, they did not have their own building, although all those with their own building did have some form of catering. In the case of galleries/museums several did not think catering served a purpose within their organisation.

Of those who did have catering there was an even spread across the range of catering arrangements and contractual terms, with no correlation apparent as to whether they were a gallery/museum or a performing arts venue.



There were however, correlations between the contractual terms in operation and the likely success in income generation.

The table below identifies that the most popular arrangement (in-house catering) is successful in generating a profit in 7 out of 12 cases, whilst contract caterers generate an income in only 5 out of 11 cases. However, independent caterers generate an income in all cases where they are in operation.



This clearly identifies independent catering as a means to minimise risk of loss (they take the risk rather than the arts venue) whilst still generating an income for the venue - either as rental income or profit share. However, it should be noted that this table does not consider the level of profitability. In-house catering might run greater risks but in turn may also reap greater potential rewards when successful, in comparison to a rental-only agreement with an external caterer.

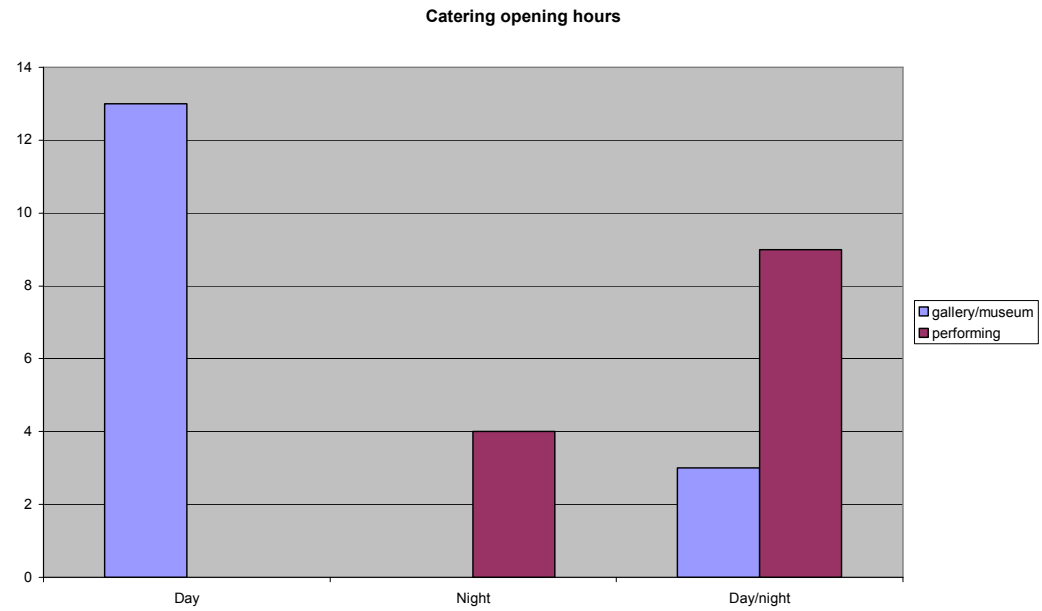
Furthermore this table does not capture the venues' priorities for providing catering. Whilst all agreed they could not justify losing money through catering, the main drive to have a catering outlet varied. For some, income generation was indeed the reason for the catering outlets' existence. For others the priority was to provide a service for their main users (the arts attenders) or as a marketing tool to attract non arts attenders.

It should follow therefore that the venues' opening hours would reflect the users they aim to attract.

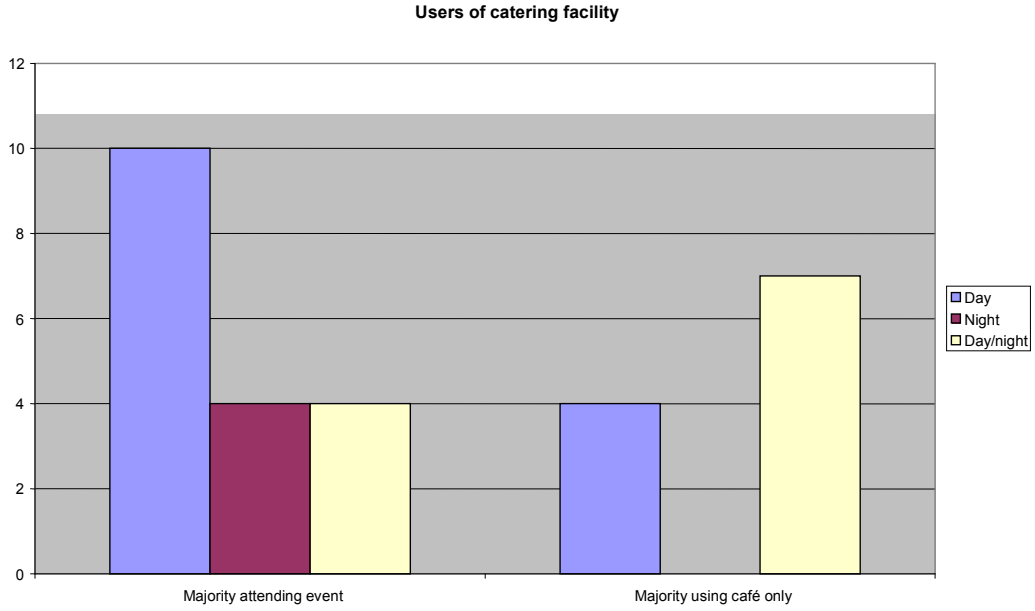
The table below shows that museums and galleries were more likely to only open during their normal opening hours. In contrast, performance venues were more likely to open day and night, even when they did not have an event on.

The exceptions to this amongst the museums were one that included a cinema that was open in the evenings and two who were experimenting with using the catering for functions in the evening to attract new users to the building.

Some performance venues did not open at all except for performances, and therefore only provided a service to existing audience members. However, the majority recognised the financial as well as marketing gains of using the building during the daytime.



The table below clearly identifies that most venues still consider the main users of their catering facilities to be arts attenders but that extending the offering outside normal opening hours increases the perceived chance of success at attracting non arts attenders.



10 out of the 14 venues who only opened during the day and all of the venues who only opened at night stated that the majority of their users were there because they were attending a performance or exhibition at the venue. Those who had flexible day and night opening however had a more even split of those attending arts events and those just visiting the café.
These figures however, are all based on the perceptions of the management rather than market research and so should be considered alongside the findings of the market research below.

Summary of findings and recommendations from the audit of venues

An in-house catering arrangement increases the risk of loss, but may also have greater potential for profit.

Independent caterers guarantee an income but percentage terms vary enormously.

Contract caterers seems least effective, retaining risk without the benefits of flexibility

The main drivers for providing catering in arts organisations vary and should be clearly identified before setting targets. They include:

- income generation
- a service for main users (the arts attenders)
- a marketing tool to attract non arts attenders.

Extending the offering outside normal opening hours significantly increases the perceived chance of success at attracting non arts attenders.

One to one interviews

The ten interviews undertaken gave venues a chance to talk about their personal experience. Many generously shared evidence from business plans and financial records. A summary of the interviews is listed below.

In-house/Council run

The Bridgewater Hall, Manchester

The main café is situated downstairs to the main concert hall in the Bridgewater Hall and offers high quality food for mainly local office workers at lunchtimes, and concert-goers in the evenings.

The venue is very proud of their café, which has received commendations for its food and service. However, without a door onto the street the café relies on word of mouth rather than passing trade.

Having run as an all-day, every-day operation, a recent review has suggested that demand does not warrant it. Opening times have therefore been reduced to Monday to Friday lunchtimes from 11am – 2.30pm only, plus evenings 5.30pm - 7.30pm when there is an event in the concert hall.

The café offers approximately 70-80 covers and is run entirely in-house to ensure consistency in quality and style with the rest of operations. It employs 1 catering manager, 10 chefs, and 10 further catering staff as well as part time staff.

The management feel that in-house catering is crucial to ensure good communication between departments to deliver shared objectives.

In addition, the venues offers sizeable conference provision, and the in-house relationship allows flexibility for commercial clients and ensures that the venue can reap the financial rewards rather than farming out the more profitable aspects.

However, with all the catering team on the venue's payroll it was hard, from the information provided, to identify the actual profit margins for different aspects of the catering.

The Octagon Theatre, Bolton

The café is situated within the theatre, offering daytime light lunches, teas, coffees and cakes from 10am - 3pm and a pre-theatre set menu from 6pm - 9pm on days when there is a performance. The space offers 38 covers and is run in-house by a team of 2 chefs, 2 waitresses and part time cleaners and casuals.

Until a couple of years ago the café was making a loss but this has been completely reversed and the theatre is proud that the café now provides a useful additional income for the theatre.

This has been brought about with the help of the council's Commercial Services department, to whom the theatre pay an annual fee for consultancy advice on menus and suppliers. Although this has a cost attached, the savings on purchases made through their suppliers has more than compensated for the outlay.

The advice from the Commercial Services led to a complete update of the premises which was done by the staff of the theatre and café, creating a real sense of pride and ownership.

The menus were simplified so that no cooking was required during the day, and at night diners are required to pre-order food by noon on the day, so the café can cook to order and completely eradicate wastage.

Whilst this took time for customers to adapt to, it does not appear to meet with any resistance and is a useful way of generating income on other special nights, such as on Valentine's Day, when a set meal and pre-ordering are also done.

Touchstones Rochdale

Touchstones Rochdale is a new venue that has been in operation for two years.
The Touchstones Café is situated in the heart of the gallery and tourist information centre, but away from the town shopping area. It offers a simple snack menu from 11am – 4.30pm on weekdays and 11am - 3.30pm at weekends. The café has 40-60 covers dependent on the layout and is run by the council's own catering division with 1 full time and 2 part time members of staff.

The café's vision is to be 'the place to be' – a destination café in its own right - but with the café in the heart of the building it has very little visibility from the street.

The essence of the contract was originally one of partnership working, with menus adapted to suit exhibitions and variety to attract a range of visitors. However a complex line of management - from the council Head of Facilities down to the staff who actually work day-to-day in the café - creates a mismatch between vision and reality.

Uniquely, out of the cafés interviewed, this is the only facility where the caterers are paid by the museum for providing a service rather than the caterers paying a rent to the museum for use of the space. In effect this means the museum takes the same risks as if they were running the operation in house without control over costs, staffing levels and rotas.

The operation is currently running at a loss making it unviable for the museum to continue to operate in this way.

Urbis, Manchester

The Urbis Café overlooking Cathedral Gardens is situated in one of the best locations in Manchester and offers a menu that features quality, fresh, affordable food. Open from 10am – 5pm every day, it has approximately 70 covers indoors with additional seating outside in summer. It is run in-house and employs 4 chefs, 2 kitchen porters, a manager and part time staff.

Although in the centre of the shopping area and near Victoria train station, it should be noted that its location also means it is up against a lot of competition from catering chains.

In its first year of operation it made a significant loss, with costs higher than budgeted and income considerably lower. This trend urgently needed to be reversed. Current forecasts suggest that to meet the costs of running the operation in-house the income will need to double in the next year.

Urbis were conscious of the need for market research to assess whether there was the capacity to increase the numbers of users or the spend per head to create this change in finances, or whether in fact the operation itself is unviable in its present format.

There is also the sense that there is a mismatch between the ethos of the museum of the modern city, which aims to create an urban experience and the café which attracts older visitors who have been shopping in Manchester but may have little awareness of the building they are in.

In a glass building the afternoon tea ambience of the café may give a very wrong signal to the passing trade whom the museum may wish to attract in to exhibitions.

Independent/Contract Caterers

The Met, Bury

The catering was run in-house until two years ago. Unable to prevent it making a loss, it was contracted to Automatic, a local independent that now provides a successful bar/restaurant at the side of the building plus a theatre bar for interval drinks within the main building.

The café is situated on one of the main shopping streets in Bury and opens at 10am on market days and at noon on all other days until 11pm. It has 80 covers, and employs 5 chefs, a general manager and duty manager, 1 assistant manager, 2 kitchen porters and part time staff.

The catering company are very hands-on, having a policy of managing no more than three outlets to allow the managing director to be on-site regularly. As an arts student-turned-chef, the director has a particular interest in catering within arts contexts and meets regularly with venue staff to look at shared promotions.

The catering is seen as serving the three roles of income generation, service to customers and a marketing tool to reach new audiences. This combination of roles is seen as being of more importance than the actual levels of income generated.

The café benefits from a separate shop front to the theatre, and has been successful in developing an independent identity which attracts passing trade from the shoppers by day and competes with other pubs and bars in the evening.

Joint marketing initiatives are undertaken by the theatre and caterers. These include the café inserting season brochures in all menus and the theatre inserting information on Automatic in all mail-outs including incentives with ticket mail-outs which encourage audiences to come early for a meal.

Its strong independent brand however, has reduced the potential as a marketing tool for the theatre and the absence of an interconnecting doorway with the theatre diminishes the potential for audience crossover.

In recognition of this, the use of Automatic as a marketing tool for The Met is being investigated for the new business plan from 2005. The Met hopes to promote a greater presence within the restaurant, including signage, performance imagery on the walls and eventually live performance within the café.

Until December 2004 the contract provided the theatre with a guaranteed monthly rent plus a share on profits, generated from the theatre bar and other co-promotions. This was a vast improvement for the venue on the loss they were previously making.

However, with the success of the catering in generating income independently of the theatre, the profit share on 'Met derived business' was proving problematic. The contract was therefore amended to the satisfaction of both parties to a significantly increased rental charge without a profit share.

It should be noted that the same caterers had the same difficulties over determining profit share at The Contact Theatre in Manchester, which resulted in termination of the contract. Contact felt they were missing out on considerable income by not sharing in profit gained from the general public who were, after all, still using their space.

Cornerhouse, Manchester

The Cornerhouse Café is situated upstairs within the main cinema and gallery complex. It is fully licensed, offering a menu of pizzas and main courses as well as a bar. It has 120 covers and is open from 11.30am - 11pm from Monday to Saturday and until 10.30pm on Sunday. Managed by Grinch, a local independent, it has a general manager on site as well as 3 sub managers, 7 chefs, 5 kitchen porters and 19 bar and café staff.

Cornerhouse opened in 1987 when very little competition existed in the city centre. The facilities were operated by a large commercial catering company and the financial return to Cornerhouse remained high due to favourably negotiated contract terms. However, as competition increased, the commercial caterers were unwilling to invest in any upgrade of the facilities and the bar & café became outdated and 'tired'.

In 2000 the contract to operate the catering facilities was put out to tender and local independent companies were encouraged to apply. The Bar & Café are now run by Grinch, a Manchester-based independent company who, together with Cornerhouse, have made considerable financial investment to upgrade both front & back of house areas. The current contract guarantees a monthly rental payment to Cornerhouse with a percentage share of profit once the annual turnover exceeds agreed budget targets. Turnover has increased dramatically over the past 3 years and the income generated for Cornerhouse makes a vital contribution to the organisations annual budget.

Cornerhouse work in partnership with the catering company and meet weekly with the catering manager on site to agree operational issues. Policies are agreed on such matters as opening times, menus and pricing. Incentives on quiet nights include meal and film deals to bring the two sides of the organisation together. Also special menus are introduced for seasons of film – e.g. Polish Vodka for the Polanski season and tapas are

served during the Spanish Film Festival. Staff training also encourages crossover between waiting staff and front of house staff to bridge the culture gap that so often exists between catering and arts staff.

The accounts are analysed to a sophisticated degree with monthly targets monitored based on the previous year's income. This year alone has shown a 28% increase in turnover. In addition the figures are broken down to show drinks versus food sales, and profit margins (currently 75% drink and 25% food), as well as hourly sales to identify busy and quiet periods.

By working in this way Cornerhouse has a guaranteed rental income that they can put in the bottom line of their budget, a profit that is currently the same amount again as the rental income and a high level of input into the catering development. In many ways they have the benefits of an in-house relationship without the financial risk.

Gallery Oldham

Bar 360 is a Café-bar offering light lunches, cakes, a limited range of hot meals, and a wide range of alcoholic and non-alcoholic drinks including coffee and tea. It is open from 10.15am - 4pm and offers 33 covers. The operation is run by a sole trader who is the only permanent member of staff.

As a completely new venue in 2002 the café won a design award when it first opened. However, since then it has struggled to make money. The location is part of a newly developing cultural industries quarter. It is hoped that once the new library and leisure facilities open this will become a lively café. But whilst much of the area remains a building site, it does not currently encourage passing trade. In the meantime it serves museum-goers at a loss by day and runs as a nightclub at weekends to try and break even.

In its short history, it has been first leased to a local entrepreneur, who in turn put in a management team that later left management of the café. The café is currently managed by a committed and enthusiastic sub leaser who is, however, currently losing money and continues to have to pay rent to the main leaseholder that is five times what the gallery themselves receive.

Whilst Gallery Oldham are not making a loss themselves they are concerned about the inconsistent service to users. A review of contractual terms or a major promotional push of the café is urgently needed to ensure that the current operators do not continue to make a loss which they cannot sustain.

Manchester Museum

Café Muse is situated adjacent to Manchester Museum, with access direct from Oxford Road's busy student area as well as via the museum. It is open from 8am - 6pm every day and offers 112 covers. The operation is managed by Kro, a local independent who employ 4 chefs, 1 manager, 2 full time counter staff and 5 part time staff.

The Museum has undergone a major capital development and reopened in 2002. Prior to this the building had no catering on site but is now a successful model. Both the management and the caterers credit this to a good partnership, with shared objectives and clearly apportioned responsibilities.

When selecting a caterer the Museum was keen to find one willing to look at a triple bottom line, based not only on financial profit but also on social and environmental profit. The contract therefore ensures ethical purchase of goods (focusing on '*Fair Trade'*

productions) and retention of the space for special events and private functions in the evening.

The catering contract is held by Kro, a local independent business that already runs a local bar with a strong student base. Kro wanted to create something that would complement rather than compete with their other operation. For this reason they were keen on a daytime operation without alcohol.

The contractual terms agreed a minimum rental agreement payable by the caterers to the Museum, so the Museum has a guarantee income and no risk. In addition the Museum receives a share of profits. The caterers took on a newly refurbished space in which the building maintenance remains the responsibility of the Museum, whilst they have responsibility for internal decoration, bills, fixtures and fittings,

The location of Manchester Museum and in particular the café was seen by both parties as a prime site and a guarantee of success. Sited along the main Oxford Road corridor it has large passing trade from the University as well as from those visiting the Museum.

Crucially the café has a door onto the street ensuring passing trade. It also has an internal doorway direct to the museum so it has high visibility for Museum visitors.

The caterers are keen to develop the links with the Museum further, maybe extending exhibitions into the space. It has already begun to be used as an evening space for talks or private functions.

The Museum of Science and Industry in Manchester

The restaurant is in the centre of the Museum, so there is little opportunity for attracting passing trade. However it is one of the busiest museums in the North West and most visitors visit the restaurant.

The Museum's fully licensed restaurant serves a variety of hot meals, light lunches and refreshments from 10.30am - 4.30pm each day and provides space for 120 covers.

The catering is run by Sodexho, a national contract caterer who also operate the Imperial War Museum North. It employs 12 full and part time staff.

The caterers invested in the complete refurbishment of the restaurant in 2000 in return for an 8-year contract to run the Museum's catering operation. The Museum retains responsibility for maintenance, including replacements to fixtures and fittings.

The caterers pay a monthly return to the Museum, based on turnover. In addition, there is a quarterly return, dependent upon the overall profitability of the catering function. Returns can vary substantially from one period to another, largely in relation to overall visitor flows.

In addition to the restaurant operation, Sodexho also runs the catering side of the Museum's Conference and Corporate Hospitality business. Catering is provided for both daytime and evening events and the Museum's income is based on a percentage of turnover.

To a degree, the Conference and Corporate Hospitality business is restricted by the fact that it is tied to one caterer, as greater flexibility – in both pricing and menus on offer – could benefit the business. However, the Museum monitors feedback from users about the range and standard of the catering offered and works with Sodexho to try and continually improve standards.

The provision and ongoing improvement of catering facilities will continue to be considered as an integral part of Museum developments. In particular, consideration will be given to other facilities – particularly those that will be able to attract passing trade and reduce the dependency on Museum visitors alone – as and when opportunities arise.

The Royal Exchange Theatre, Manchester

The Royal Exchange Theatre is situated on St Ann's Square: a busy central shopping area. Its Brasserie style restaurant is open from 12 noon – 9pm offering lunch and a pre-theatre fixed price menu. It has 92 covers and a staff of 5-10.

The Royal Exchange has been an established venue in Manchester City Centre for decades. However, a complete rebuild after the Manchester bombing in 1996 has resulted in a drop in income from catering.

The restaurant is run between Hallidays and the theatre. Although Hallidays are contract caterers they operate more as a partner with the Royal Exchange, with an on site manager and weekly meetings between the theatre and the catering manager. Indeed the theatre shares responsibility for recruiting staff.

The contract agrees a minimum guarantee against a percentage of profit. The intention was that the minimum guarantee started low at the beginning of the contract, increasing annually. The percentage in reverse started high and decreased. In this way the contract allowed the caterer to build their clientele before increasing guaranteed income. However sub clauses within the contract protect the caterer in the event that the theatre falls below target at the box office.

As a lunchtime and pre-dinner restaurant it is hectic for very short periods of time. Although there is not a door at street level there is a door into the restaurant at the top of the entrance stairs to the theatre, off St Ann's Square, before you go into the theatre foyer. It is therefore possible to enter the restaurant by this means after the curtain has gone up but the theatre and restaurant have chosen at this point in time to close the restaurant at curtain up and establish the restaurant well, before attempting to develop it as a destination restaurant. To this end the majority of its users are theatre-goers and so the caterer is dependent on the work on stage in the evenings.

Summary of findings and recommendations from interviews

Venues need to ensure consistency in quality and style between the catering and arts activity to ensure that the drive to reach new audiences does not put off regular attenders.

Many operators acknowledged the potential culture clash between subsidised arts organisations and commercial catering operators which requires training of all staff to overcome.

Without a door onto the street the café is always reliant on word of mouth rather than passing trade. Likewise an internal door between the café and the main arts building are vital to develop audience crossovers.

Whether in-house, local independent or national contractors, partnership on management decisions creates the best possibilities. National caterers and buyers may prove inflexible in the menu and inconsistent in the quality of food.

Whilst a rental income removes the risk from the arts organisation there are greater gains from a profit share.

Although farming out catering may remove the financial risk from the venue, it does not remove their responsibility for ensuring a well run café. If a café is doing badly it will reflect poorly on the whole organisation.

Incentives, co-promotions and menus that adapt to the arts programme all are mechanisms to add value to the partnership.

The more sophisticated accounting procedures will help set and monitor targets as well as understand profit margins on different goods at different times.

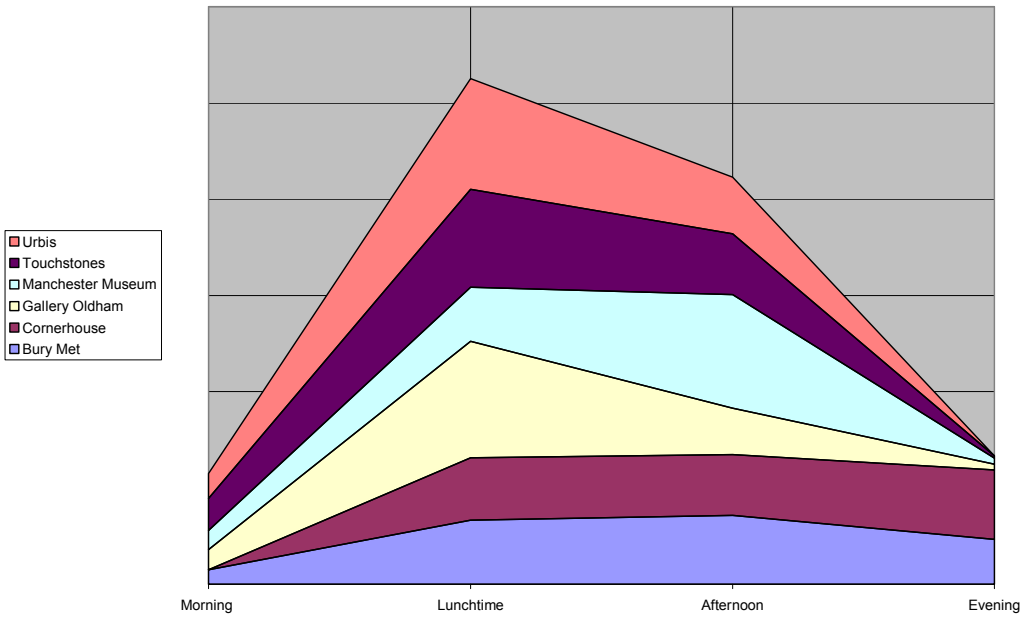
It is vital to know as much as possible about local catering trends to ensure you complement rather than compete with existing operators.

Market research

The market research analyses 6 catering facilities: 4 that only opened during the day and 2 that also opened for night time business; 3 from Greater Manchester and 3 from the city centre.

Approximately 1000 people responded to the questionnaire.

The table below considers the most popular times of day for the venues. However, this might represent the busiest times of day or just the time visitors were most likely to complete the questionnaire.



On the assumption that the data are safe however, the table shows that at The Met and Cornerhouse, which are open day and evening, there is a constant number of people in the building from lunchtime onwards. For daytime-only cafés, the most popular time is lunchtime, with a strong afternoon trade (except Manchester Museum whose afternoon trade was stronger than their lunch trade).

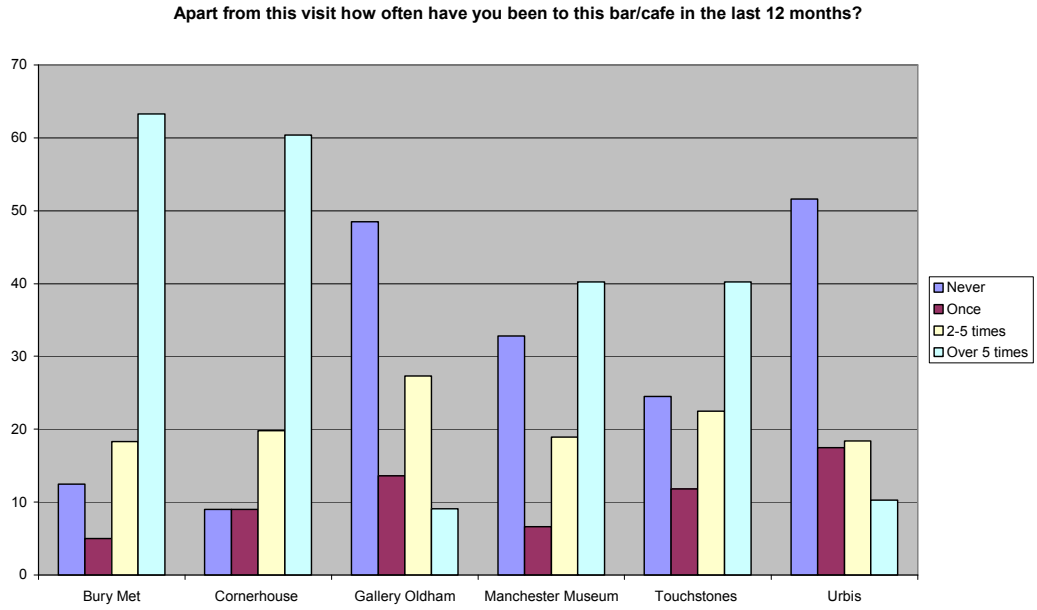
What is consistent throughout is a low percentage of visitors in the mornings which should be taken into account when making decisions on opening times and staffing.

Further research on trends in other catering establishments might be worth considering before deciding whether to promote the morning trade more aggressively or whether to open later.

Despite the selected venues being in different locations, offering different services and opening at different times, there was surprising consistency in types of users. Women made up over two thirds of users in all cases and three quarters of users were over 16.

Anecdotal responses supports the case that cafés in arts venues are perceived as safe environments where women feel less self conscious on their own than they would in a high street café or pub.

It is worthwhile for venues to consider whether this is the ambience they wish to create, which, whilst friendly, may explain the lack of younger users who want somewhere more lively.

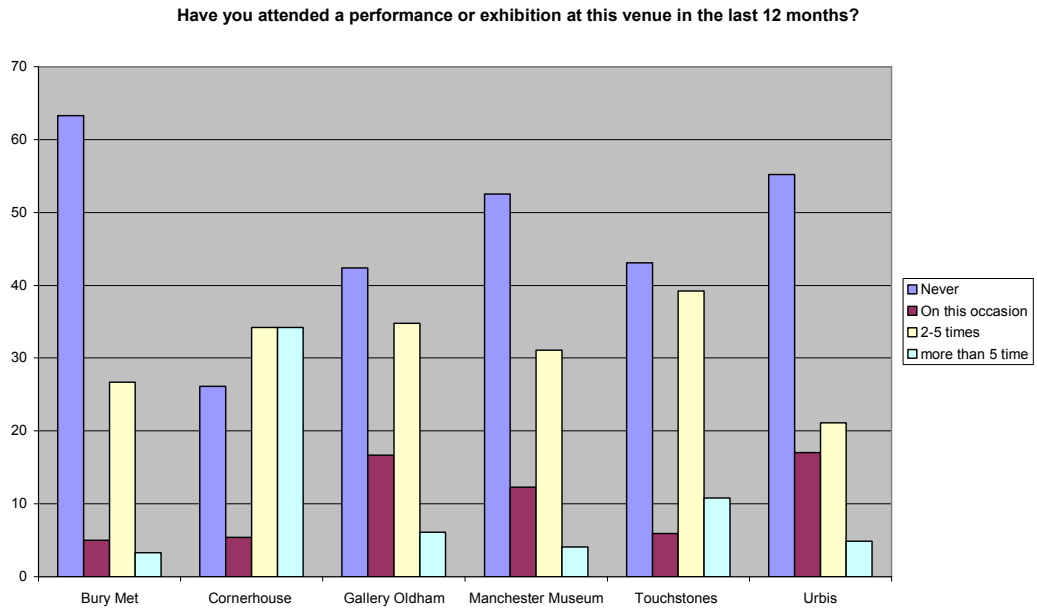


The figures above show a strong contrast however between venues and the loyalty of their customers.

The Met and Cornerhouse shows over 60% of their users come on a regular basis (over 5 times in the last year). The venues therefore might consider if they are satisfied with current levels of use or whether they need to attract new users. Incentives for repeat visits seem unnecessary.

Manchester Museum and Touchstones Rochdale also show that more than 60% of users have visited the café before, although only 40% are regulars and between a quarter and a third have never been before. These establishments might wish to explore how to ensure users come back more regularly through offering incentives and loyalty offers.

Gallery Oldham and Urbis show a different trend, with approximately 50% in each case having never been to the café before and regular users making up only 10%. In these cases further market research might wish to consider what barriers currently prevent return visits. As both are currently reviewing their operations it would be worth repeating the market research in a year to see if the regularity of visits increases.



The figures above show a low correlation between arts attendance and use of café facilities.

Urbis, The Met and Manchester Museum all show that over 50% of café users never engaged with the arts in the building. This is further supported by the fact that at Manchester Museum and Urbis over 60% of respondents were not aware of the museum's main activities and at The Met the percentage who were unaware is 40%, despite their policy of having the brochures in the menus. Their locations and shop-front entrances separate to the main building may explain the figures, but there is clearly an opportunity to develop marketing or incentives to increase the crossover.

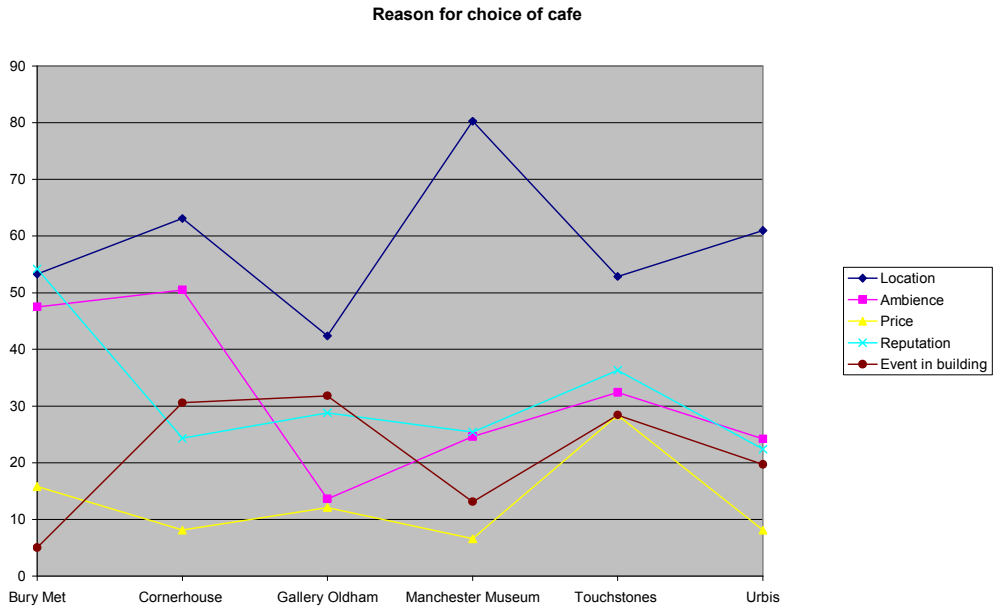
Gallery Oldham and Touchstones Rochdale showed a relatively even split between those who did not engage with the arts and those that attended sometimes (although not regularly), which was equally matched by the level of awareness of the programme.

Only Cornerhouse has loyal attendance to the café and the arts activity with nearly 80% being aware of the arts programme, only a quarter never visiting the rest of the venue and over a third having visited more than 5 times. This may in part reflect the nature and regularity of cinema going as an activity.

However, it may be relevant to compare these findings with contractual terms. Whilst the figures may support The Met café's case for not offering a share of profits from users who do not benefit from the theatre, it also suggests that merely placing the theatre programme inside the menus is inadequate as a marketing tool.

Furthermore, as the crossover of café users and gallery visits is small at Urbis and Touchstones Rochdale, they can clearly not justify making a loss as they have been doing, on the basis of providing a service to users. The café should not be subsidised.

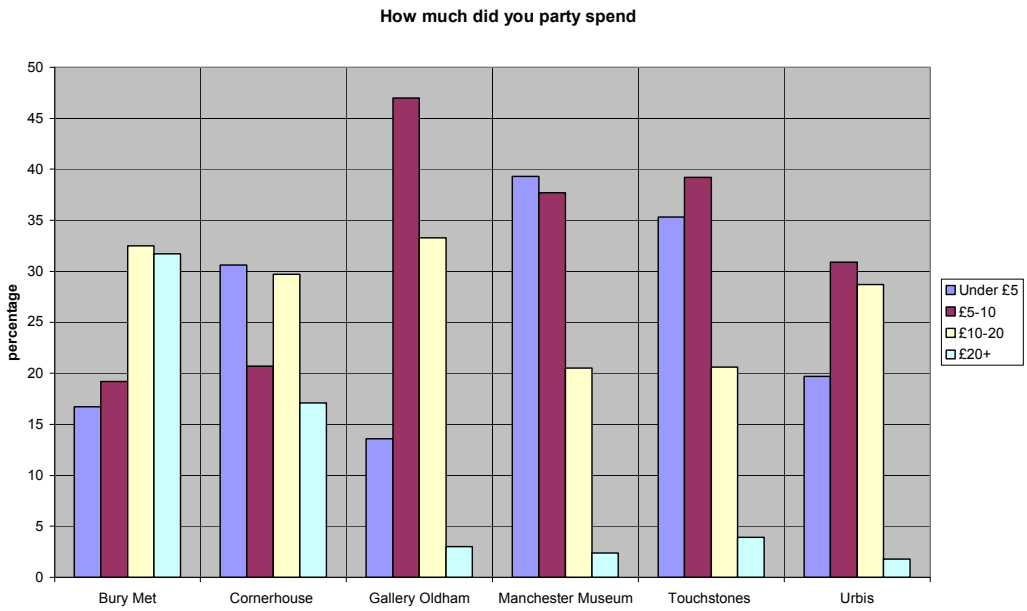
The following chart asks users why they have chosen a café and allows multiple answers.



In every case location is the number one factor in choosing a café. It seems therefore that, in order to increase sales, all cafés should target their marketing at a local customer base.

In contrast, price was consistently unimportant, suggesting that people visiting cafés in arts organisations are not looking for a bargain but for convenience or quality.

Only at The Met is the reputation of the venue as important as the location (accounting for 50% of users) and the ambience was praised at both The Met and Cornerhouse. This is clearly backed up by the earlier table showing that these two venues had the most loyal visitors. It is further supported by the following table which shows that they were the places where visitors spent most. At The Met nearly a third spend over £20 - and at Cornerhouse nearly a fifth - in contrast with the other 4 venues who all show less than 5% of people spending the largest amounts.



That said, the spread of expenditure at the lower ends varied enormously with The Met, showing the least numbers of people spending under £10 (one third) and Urbis and Cornerhouse (around 50%) and Gallery Oldham, Touchstones Rochdale and Manchester Museum all being around 70%.

This is surprising as only 30% across the board claimed to go to the café only to drink. Although it may suggest that although the other 70% were eating many are interested in snacking rather than having a whole meal.

Summary of findings and recommendations from market research

Mornings show a consistently low percentage of visitors which should be taken into account when making decisions on opening times and staffing.

Women and over 16s make up the majority of visitors to cafés in arts venues because they are perceived as safe environments.

This same fact may be a barrier to younger male visitors who are looking for somewhere more lively.

Although the most common reason for choosing a café was the location, loyalty and repeat visits relate closely to the quality of product served.

There is generally a low correlation between arts attendance and use of café facilities, which is matched closely by awareness of the arts programme. Venues should do more to market themselves through their catering outlets.

Although most people eat and drink whist in an arts café it would appear from the generally low spend that they are looking for convenient snacks rather than a whole meal.

Catering consultancy

John Benson Smith spent 1 - 2 days in each of the three catering establishments, examining contractual terms between caterer and arts organisation, accessibility and attractiveness of the facility in terms of décor, and suitability of menus and pricing to the market. In some cases he also undertook secret shopper research.

Before analysing and recommending changes to the cafés he asked each one to truly consider the necessity of having a café at all. In all cases the space could effectively be used for other purposes, such as a workshop room or gallery space.

Only if the benefits are clearly defined and strategies developed to manage a viable facility should the venues proceed with having a catering outlet at all.

Below are summaries of his findings and recommendations and details of how the venues have responded to the proposed changes.

Urbis

John Benson Smith supported the fact that the café was in *'an ideal city centre location with a footfall in the region of 7000 per day'* and believed the architectural structure added to its potential through reputation and visibility.

In light of this he found it surprising that the café '*lacks true identity and external signage, indeed a name!*' and felt it was a priority to brand it and market it more aggressively.

He described its facilities as first class but felt that the ambitious menu and costly staffing and stock hampered its ability to generate income.

Furthermore as a café where people want a quick snack rather than a three course meal the size of the menu made service slow

In the short term he recommended:

- a front of house presence offering you a table and arranging drinks as soon as you arrive
- extending opening and closing times to catch people going to and from the station at either end of the day
- reducing the menu to avoid wastage and speed up service
- re-branding the café to create better synergy with the outrageous style of the building

Urbis were fully in agreement with his recommendations and are already investigating the following changes:

- revising the menu to create more of a coffee shop atmosphere
- installing 24 hour news screen and papers to give it a more urban edge
- improving marketing and signage, including the immediate installation of an A-Board outside the building.

This has already resulted in major improvements in visitor numbers and spend and Urbis is confident that it can turn round the previous loss-making venture to generate income, whilst retaining the operation in-house.

Gallery Oldham

John Benson Smith's main area of concern for the café was the effect of trying to make the same space act as a light and refreshing café by day and a nightclub by night. He felt this inevitably meant the space looked used and tired and would need constant cleaning and re-decorating to avoid feeling run down.

He recognised that the business in its present guise was not viable, and recommended a re-negotiation of the contract to reduce the rental terms between the main leaser and the sub-leaser.

He highlighted that there was little competition locally and that a cheaper run operation, based on self-service goods with a strong brand identity would benefit the caterers and the gallery alike.

Recommendations:

- cease nightclub activity
- create a Café based coffee environment with a strong brand identity
- create a vibrant, colourful and modern minimalist space with wipe-clean surfaces and very clean lines
- develop the external space for al fresco dining for five or six months of the year.

Under the present terms it would be impossible for the caterers to stop the nightclub trade as this is the only area that generates any profit at all.

However the café has already decided to take on the recommendations about daytime food and limit this to sandwiches and cakes.

Newspapers and gentle music are also being introduced to create more ambience and a complete re-decoration has taken place and will be refreshed regularly.

The gallery has also promised to improve signage between the gallery and café and market the facility more aggressively alongside their own programme of work.

In addition the gallery are committed to improving the profitability of the space and will explore joint promotions and opportunities to generate more income through evening hires and conferencing

Touchstones Rochdale

John Benson Smith described the space as *'delightful, clean although somewhat predictable*' which gave considerable reassurance to customers. However it had never been given its own brand and, hidden within the building, it was not signed well.

On entering the café it is not clear if it is self-service or waitress service which causes discomfort and confusion for visitors. Once they try to order, the extensive menu makes service slow and there always seems to be a number of items which are not available.

Recommendations

- changing of shifts to assist with the business
- stronger line management and leadership from the catering department
- staff training and development to get all the staff 'singing from the same hymn sheet'
- employ full-time members of staff rather than agency staff
- it needs a name with its own identity which is sympathetic to Touchstones Rochdale's core brand and marketing.

Touchstones Rochdale have used the report in their negations with contract caterers to agree new terms of shared risk where previously the gallery took all the risk.

They have already also already introduced

- an A-Board outside to increase visibility of the café
- marketing and special offers aimed at the many council workers nearby
- a review of the menu

Once the new terms have been agreed they plan a major re-launch of the café, and a marketing campaign to develop the operation in the New Year.

Overall recommendations

In all cases John Benson Smith felt that the operations tried to do more with the menu than their market required. He supported the idea in all cases of creating a more informal self-service coffee shop environment where gallery visitors or passing trade could be served quickly with a consistent product.

He did not feel the market required extensive - and sometimes expensive - food and this is backed up by the market research.

What it did require was a relaxed environment, consistent quality and speed of service.

This could best be achieved by selling mainly cold, pre-packaged, but quality food which could also extend the market by being offered as take away.

As a general rule of thumb this could double the number of covers each café could take in a day.

In all cases he felt there was a missed opportunity in marketing, with the café too reliant on the main space's brand, simply assuming that people would use the café if they visited the museum/gallery. Again the market research supports the idea that there is a strong market of non arts attenders who like the ambience of arts cafés.

Web based benchmarking

From the research above it is clear that there is a need for more sharing of information between arts organisation in regard to catering and that there are many shared issues and solutions.

However, the type of data captured by different venues varies enormously.

Whilst Cornerhouse have the technology to calculate exact profit margins on different products at different times of day, the vast majority of establishments work on a simple profit and loss basis for the whole operation.

In light of this therefore it was decided that to ensure user friendliness of the web-based benchmarking it would at this stage need to be simple, with recommendations for it to be developed if more catering outlets developed their means of financial analysis.

At this stage therefore the benchmarks will consider two factors

- the income generated for the venue each month
- the crossover between arts and café

The first benchmark takes account of the size of operation but is a straight-forward calculation that every venue can input, stating how much income (if the facility was run externally) or profit (if run in-house) they received from catering, divided by the number of tables the café has.

In this way the venues can compare their incomes in relation to the size of operation and assess whether the contractual terms work for them.

In addition to this it is recommended that every venue should undertake market research on an ongoing basis to establish the crossover between arts attendance and café use.

This can be done through feedback questionnaires or through anecdotal evidence obtained by serving staff asking visitors why they were visiting the café.

This would be a useful benchmark to compare audience crossover across sectors and for individual venues to consider marketing opportunities.