

# INNOVATION FOOD & BEVERAGE

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## AN INTERVIEW WITH DELAWARE NORTH COMPANIES

*IFB's David Rittvo sat down with Nick Liberto, Managing Director of Delaware North's Gaming Division, and Brian Duffy, General Manager of Delaware North's F&B Program at the Choctaw Casino in Durant, Oklahoma to discuss structure, growth, and third party management strategies.*

Delaware North Companies is one of the leading hospitality management service companies in the world. DNC has led the industry in high volume food service operations at sports complexes, airports and parks and resorts. Over the past 15 years, the company has expanded in the casino market with both gaming and food and beverage management services.

The casino development group manages six casinos in the United States including Wheeling Casino and Resort and Finger Lakes Casino and Racetrack. The gaming division also oversees food and beverage operations at multiple casinos including the Choctaw Casino in Durant, Oklahoma. DNC operates nine restaurants at that casino, which range from an upscale steakhouse and a buffet to a food court with four outlets.

IFB's David Rittvo recently had the opportunity to speak with Nick Liberto, the Managing Director of DNC's Gaming Division and Brian Duffy, the General Manager of DNC's F&B operations at Choctaw Casino. The interview covered a wide range of topics including DNC's corporate growth structure, operations benefits and challenges and how a third party operator and/or manager can benefit a casino's food and beverage operations.

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## STRATEGIZING A SUCCESSFUL F&B PROGRAM

*Innovations and advancements in F&B tend to occur most effectively in larger urban markets like New York and Las Vegas. But does this mean that these models can't find success in less populated and rural settings? The Innovation Group's Manager of Research & Analytics, Erika Meeske, shares her observations.*

The food and beverage industry is fast paced and continually evolving. Many of the hottest ideas tend to arise in urban settings, where there is a high concentration of restaurants bidding for market share. That fierce competition typically breeds innovation, as restaurateurs try to lure consumers away from competitors and into their establishments.

When it comes to destination resort and casino restaurants, innovation has also been the strongest where competition is most fierce, Las Vegas, Nevada. In fact, over the past ten years, advancements in culinary techniques,

style, and restaurant concepts have transformed casino food and beverage programs from necessary loss leaders to valuable casino components that not only turn a profit, but also drive casino visitation.

In Las Vegas, non-gaming components, such as food and beverage programs, are beginning to drive revenues, whereas revenues from gaming operations have receded. To illustrate, in fiscal year 2000, gaming revenues on the Las Vegas Strip (for facilities earning \$72 million+ in gaming revenues) accounted for 46% of gross revenues, while food and beverage

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# DELAWARE NORTH COMPANIES INTERVIEW, CONTINUED

*A Conversation with DNC's Nick Liberto and Brian Duffy  
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Nick Liberto is the Managing Director of Delaware North's Gaming Division. Liberto is responsible for leveraging best practices across Delaware North to secure new contracts and grow Gaming Hospitality Group's overall industry presence. He is also instrumental in overseeing the food and beverage operations at the Choctaw Casino in Durant, Oklahoma.



Brian Duffy is the general manager of Delaware North's food and beverage operations at the Choctaw Casino. Duffy is responsible for the operations of nine distinct food outlets which service the casino and hotel guests. Brian is a 35 year veteran in the Hospitality Industry and has held numerous executive positions with casino hotel resorts in Las Vegas, Reno and Atlantic City.

*RITTVO:* Delaware North operates six casinos throughout the country and is very successful. Can you describe the strategy to start to manage food and beverage at casinos?

*LIBERTO:* The growth was a natural extension of our existing operations both in the food service and gaming operations fields. We have had previous experience operating food and beverage outlets in high volume environments such as airports and realized that casinos could become an outgrowth of that.

We were also lucky that a lot of the food and beverage infrastructure was already established and easily translated into the casino environment; this created some amazing economies of scale for us. On the culinary side, we already had in place our Culinary Council which created a roadmap for our best practices both on the operations and menu development side. To already have that established allowed us to

really focus on customer service which is vitally important to casino food and beverage operations.

*RITTVO:* DNC has been recognized as one of the leading companies for large scale food service operations and hospitality. How do those skills translate into the casino environment?

*LIBERTO:* The gaming food and beverage grew organically and included executive and management from multiple divisions in order to create a strong team. This team created the operating plan for us to be able to go in and run the restaurants at Choctaw as well as set up management contracts for other properties.

*DUFFY:* As an operator it was invaluable to have the expertise and the internal resources at my fingertips during both the development of the restaurant and during the first year of operations. The DNC team was able to provide management and staff during the critical 6 month period after a restaurant opens. Without that backbone of support, my life would have been much more difficult.

*RITTVO:* What are the benefits, from your perspective, to having a third party operator in a casino environment?

*LIBERTO:* One of the major benefits is that we are already proven in the fields of food and beverage and hospitality, and we are able to translate those skill sets over to the casino environment. We are able to address concerns and potential disadvantages at some casinos with resources that other groups or stand alone casinos might not have access too. Additionally, we have a database of successful menu concepts and coordinating development ideas that have been tested, and we can roll out those ideas and concepts very efficiently and effectively.



One of the core values at DNC which we bring to a casino environment is that it is important to create a special experience one guest at a time. In a casino, where customer service and attention to detail are critical, we believe this approach allows us to concentrate most effectively on the central food and beverage process.

*DUFFY:* To add to that, by having a third party operator run the food and beverage, the casino management team can focus on their primary business, which is the gaming floor.

*LIBERTO:* We believe that food and beverage is an important amenity for the casino. It has the ability to increase the length of stay, create an environment where a customer can have a positive non-gaming experience and lead to more visits to the casino.

*RITTVO:* What are the challenges to operating in a casino environment?

*DUFFY:* One of the biggest challenges was adjusting to running an operation 24 hours a day 365 days a year. Interestingly we don't have any keys to the front door because we are always open. Because of this, you never get a chance to close down and catch your breath. Changes need to be made while in operations and sometimes that can be challenging.

*LIBERTO:* I agree with Duffy and from a corporate perspective, it is important to hire the right people. Most of the time, by putting the best people in a position to succeed has mitigated a lot of issues that might arise and reduced our operational challenges.

*DUFFY:* Another challenge is forecasting. In traditional restaurant operations, there are a limited number of variables which need to be analyzed to forecast. In a casino, there are so many moving parts that sometimes it is difficult to staff and operate at the highest levels. For example, one casino promotion, which we have seen in the past draw a smaller crowd, could draw a huge crowd the second time around. We have to be prepared for that. Luckily I have a strong team that has become very adaptive and knows how to respond well to the changing dynamics in the casino.

*RITTVO:* How does the structure typically work? Do you control all revenue streams or is it a management services based contract?

*LIBERTO:* We can operate both ways and it really depends on the size of the casino. Typically, in smaller locations, we like to utilize the management contract because it is more beneficial for both DNC and the host casino. For larger operations we like to assume some more of the risk and control revenue and operating streams. Similarly, for higher revenue based operations, we have the ability to spread out our overhead needs to create the best product for the host casino.

*DUFFY:* It is important for owners to understand the operating and management risk associated with the different plans. In some cases, the owners might not want to assume the risk and in others, the food and beverage operating risk is inherent in the overall operations of the casino and resort.

*RITTVO:* How does the management integrate between DNC and the casino?

*LIBERTO:* This is a good question and very important to how we operate. It is important that whether we have an operations or management contract that we work closely with the host casino and have the utmost transparency. At the end of the day, all of us are going to reach our financial goals and if we do it together, then it will be a whole lot easier. Our goal is to become one of the team members of the casino operations and management teams.

For our Choctaw operations, because we operate all of the food and beverage operations it was very important to become integrated. We did not want the relationship to be us vs. them. Our people have Choctaw name badges and we are all working together towards one common goal.

*DUFFY:* This is critical because it allowed us to build a strong trust between the two groups very quickly.

*RITTVO:* What are the basic parameters for performance analysis?

*LIBERTO:* Our performance analysis and fee structure can



## DELAWARE NORTH COMPANIES INTERVIEW, CONTINUED

*A Conversation with DNC's Nick Liberto and Brian Duffy  
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follow different paths, but traditionally, our management contracts have a flat fee and an incentive fee based on earnings before interest, taxes, depreciation and amortization (EBIT-DA). We like to look at it as a percentage of the top line and percentage of the bottom line. This is very common in our industry because it holds us accountable for both revenue generation and cost optimizations.

*DUFFY:* We like to have some skin in the game and be able to share in the upside of showing our operating efficiencies.

*RITTVO:* How do the economies of scale benefit operating multiple outlets in one location?

*LIBERTO:* I believe this is one of our core advantages. It starts with our national buying power. Because we operate all over the United States and have established contracts, we are able to tap into procurement programs that reduce costs. Our pricing from these contracts will most likely always be better than what a stand-alone operator/operation can obtain. The good thing is that we can pass along these savings onto either the management based contract or the operating contract.

*DUFFY:* The other beneficial aspect was that we were able to pass along a substantial savings to the casino by utilizing our national contract pricing programs. Additionally, we have the

ability to save money on some of the larger purchases, such as kitchen equipment.

*RITTVO:* You spoke earlier about developed concepts; can you also create "one off" concepts for casinos?

*LIBERTO:* The short answer is definitely. We have both proven concepts which will work in casinos and we have worked with casinos to develop new ones. Additionally we have tested menus that can be utilized or tweaked to create unique dining experiences.

*DUFFY:* Choctaw Casino was a combination of the two. The food court has four concepts that we have rolled out throughout the organization whether it was in an airports or stadiums. The Blue Moon Café was a combination of our menu and a "best of the best" from around our company, supplemented with local favorites that we created along with the management and operators of the casino. ■

## SELECTING & SERVING QUALITY TEQUILA

*Over the past 8 to 10 years, micro trends in alcohol have brought to the forefront certain types of liquor, allowing certain offerings of such spirits as vodka, tequila and bourbon to flourish, particularly for the top quality producers. According to reports from Bevnet at the 2011 Nightclub and Bar Show in Las Vegas, the trend for new, quality tequila entrants continued from previous years. Innovation Food and Beverage had the chance to interact with Native American-owned Don Rico Beverages which highlights its Tequila Brand, Blue Head. Below, Ric Contreras of Don Rico provides useful insight into the basics of selecting and serving quality tequila at your establishment.*



For aficionados, the most important identifier on the label of a tequila bottle is “100% agave” or “100% agave azul - cien por ciento de agave azul”. This means it is made only from the Blue Weber agave plant, with only agave sugars used for fermentation, and was approved by a government inspector to ensure purity. 100% agave means no other sugar was used during fermentation to create the alcohol, so it has more body, more flavor, and a stronger agave aroma. 100% agave can make even strong blanco tequila into a respectable drink, with a peppery bite and a powerful agave-sharp tang.

Caveat emptor: Merely saying 100% agave does not guarantee quality - it’s just the starting point. Each distillery has its own source of agave, its own processes, quality control and techniques that will affect the final result. While most producers create their products with considerable pride and effort, others are merely average and their products reflect it. Only by tasting them will you be able to decide for yourself.

Small artisanal or boutique distilleries have sprung up, offering premium 100% agave tequilas, but usually with limited (and therefore much sought-after) production. Some, like the Alma De Agave, Blue Head and Campo Azul brands offered by Don Rico Beverage, Inc., take pride in using only pure ingredients. “Alma” is double refined distilled tequila, rich in body and flavor, yet ultra smooth and with an extra soft taste. To this day, their agave is traditionally cooked in its original brick and stone ovens, and blended with purified mineral water using reverse osmosis to remove any impurities. Their tequila is matured in oak barrels, treated with no synthetic tints, allowing organically aged tequila. Most importantly, special care is taken in removing unwanted head and tail toxins, minimizing the concentration level of methanol, attaining results of a premium quality and clean tequila that does not leave you with the infamous “hangover headache”. For many economic and tax reasons, these premium products may only be available outside Mexico.

When selecting tequila, be sure to check the NOM or “Norma Oficial Mexicana” in order to identify the factory where the tequila was produced (the NOM, the Official Mexican Standard of Tequila, is regulated by the Mexican Government and contains specifications to be followed by all individuals and companies producing tequila). Many distillers today make tequila for more than one company.

If it doesn’t say 100% agave, it’s mixtos tequila. Mixtos are rarely labeled as mixtos, but are merely called “tequila.” While most purists won’t drink mixtos, many tequila aficionados got their first taste from popular mixtos brands like Cuervo Especial. So mixtos have played an important role in the journey to tequila knowledge. Some bartenders only use mixtos for cocktails like margaritas, claiming the other ingredients mask the taste of better tequila. Again, purists insist on 100% agave tequilas in their margaritas. There are more mixtos brands than 100% agave brands, although that is changing as consumers become aware of, and demand, more pure tequila.

One estimate suggests 70% of all tequila consumed in the USA is used in margaritas. The highest volume of sales is in mixtos, so its obvious consumers still purchase a lot of mixtos, even when there are a growing number of pure tequilas on the shelf beside them. That’s in part because of a popular notion that it’s a waste to use premium tequilas in margaritas or other mixed drinks. It isn’t: 100% agave tequilas make better margaritas. The trend is clearly towards 100% agave tequilas and away from mixtos, as consumers become more educated and sophisticated.

***For more information, visit [www.donricobeverage.com](http://www.donricobeverage.com)***

## STRATEGIZING A SUCCESSFUL F&B PROGRAM, CONTINUED

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revenues accounted for only 17%. Ten years later, revenue from gaming dropped to only 39% of gross revenues, while food and beverage revenues approximated 22% of gross revenues. Even more telling, departmental income from food and beverage departments, which approximated 6% in 2000, more than doubled to 14% in 2010, while departmental income from gaming revenues dropped from 42% in 2000 to 31% in 2010.

Fueling this transition has been the influx of national and international celebrity chef restaurants such as Tom Collichio's Craft Steak, Wolfgang Puck's Spago, Thomas Keller's Bouchon, and Mario Batalli's B&B Ristorante, as well as a shift in operating and management styles, and a new view of food and beverage programs as visitation drivers. The growing importance of casinos food and beverage programs in Las Vegas has not escaped the attention of local and regional casinos.

The National Restaurant Association recently released their annual "What's Hot in 2011" rankings, based on a survey of approximately 1,500 chefs nationwide. Some of the emerging trends include 'locally-sourced meats and seafood, locally-grown produce, sustainability as a culinary theme, hyper-local items, children's nutrition, sustainable seafood, gluten-free/food allergy-conscious items, back-to-basics cuisine and farm-branded ingredients.'

Not surprisingly, Las Vegas restaurateurs continue to inspire. In Southern Nevada, an arid region with seemingly little chance to cultivate crops, some local farmers have developed new greenhouse systems which protect their crops from the scorching sun, allowing year-round cultivation. Leading casino restaurants on the Strip, such as Mario Batalli's B&B Ristorante, have developed relationships with these farmers, purchasing between 400 to 600 pounds of fresh vegetables weekly for his Las Vegas restaurants. Moreover, Batalli then returns food trimmings and food waste back to the farmers for composting, creating richer soils with which to grow their crops. This not only embraces locally grown produce, but also provides a fresher product for Batalli's restaurants and promotes sustainability.

With that kind of success, it would seem logical that following suit would produce similar results at more regional casinos. However, what works in Las Vegas, does not necessarily guarantee success at local and regional casinos.

For example, would a famous international celebrity chef restaurant have a significant impact in rural America? In the United States, predominantly urban areas are far more likely to be familiar with international celebrity chefs, as these

chefs attempt to tap into the country's population centers, whereas areas that are more rural and more sparsely populated would likely have less exposure to the international celebrity chef, thereby lessening the impact of the chef's status.

However, that is not to say that the concept would not work at all. In actuality, it largely depends on the surrounding environment, the local and regional market demand, and local resources. To illustrate, the legendary "Queen of Southern Cuisine", Paula Deen, has had incredible success with her southern buffet style restaurants at Harrah's Tunica and

Horseshoe Southern Indiana, as well as her a la carte restaurant, Paula Deen's Kitchen, at Harrah's Cherokee in North Carolina. Clearly, these restaurant concepts fulfilled consumer demand in these markets.

Before choosing a brand or concept for a local or regional casino food and beverage program, there are a number of factors to consider. It goes without saying that knowing your customer's demographics, tastes, and preferences are vital to the success of the food and beverage program. Casinos typically have two main types of clientele: local market customers and regional customers. Local market customers often visit the casino more frequently, spend less in the casino per visit on average, and are more likely to frequent quick serve or café restaurants as opposed to the cost prohibitive fine dining establishments. Conversely, regional customers tend to make fewer visits, though they spend more in the casino per visit comparatively. These customers are more likely to frequent more upscale restaurants as the visit is more of a mini-vacation rather than a quick visit to gamble.

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Understanding the nuances between these groups will help determine what kind of food and beverage program would be most successful. While ultimately a professional market study would be ideal, obtaining the markets demographic and economic statistics can be extremely helpful in the short term. For example, often times the local convention and visitors bureaus produce visitor profile studies revealing who visits the area, where are they coming from, and why are they coming. In addition, state and local economic development agencies monitor new and existing businesses, which can provide a profile of new and existing competition in the area.

Furthermore, the Bureau of Census and U.S. Department of Commerce provides information on the demographics and the economic environment of an area, which helps guide what kind of price point should be charged or what ethnic foods may be better received. The sum of information from these readily available resources can help owners understand what the market is lacking, local and regional demand, and what concept might be most successful.

It is also important to understand the strengths and weaknesses of the surrounding region. What does the area offer in terms of locally produced goods - whether it be produce, livestock, seafood, or even wine? For instance, coastally located casino restaurants would likely have much greater access to fresh seafood, whereas mountainous regions may have better access to livestock, and Northern California, Oregon, and Washington casinos would have unique and direct access to superb, locally-produced wine.

Regardless of the region's attributes, the opportunity exists to establish relationships with local growers, livestock farmers, fisheries, and vineyards, which often leads to cost savings, shorter delivery times, and ultimately a better product. In addition, it creates an opportunity to highlight an ingredient or seasonal produce, keeping the restaurant menu fresh

and interesting, which could potentially induce additional visits, particularly from the regional markets.

Because the food and beverage industry is constantly evolving, the plethora of information and trends can be overwhelming and misleading if not filtered properly for the region. Therefore, when determining a food and beverage

program that best complements the casino, is it also important to distill the massive amounts of data, excluding those trends that appear fleeting or cost prohibitive, while considering those that would be a viable addition to the facility.

To illustrate, tapas, or "small plates" have been a hot item in recent years as they allow consumers to try many different items in one sitting as opposed to one

main entree, resulting in a more satisfied and fulfilled experience for the consumer. This trend continues to be popular today; however, it has evolved even further into "mini plates," which offer even smaller bites at more affordable prices.

Adopting this trend does not have to break the bank and can actually be applied relatively simply. Instead of converting your existing restaurant into a tapas restaurant, it may be more cost effective to simply adjust the menu offerings to include small portions of existing menu items. This keeps the menu original and interesting, thereby enticing regional guests, while simultaneously offering more cost-effective items that draw in the locals market.

Clearly some of the trends floating around the nation are useful; local organic foods, for example apply to most regions with some sort of agriculture. Wherever the market, researching locally produced goods, regional demographics and trends in the industry will provide the initial guidance in determining the ideal food and beverage program for your casino. Listen to your customers to understand their tastes and preferences, and then take what you can from the region to respond to those needs.





Innovation Food & Beverage is a specialty advisory discipline within The Innovation Group of Companies. The IFB experts support all of our affiliates as they help clients develop market-appropriate strategies that complement the entertainment experience, improve ROI, develop opportunities and and maximize the price-value relationship for patrons. Services and contacts include:

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