

The Museum and the Caterer: A Value-Added Relationship

By Jim Lawler

A generation ago, most museums would have considered it somewhat undignified to aggressively pursue event rental and catering business. Today, even facilities with modest attendance have discovered that these activities can offer a significant annual income stream, regardless of the economic climate. Many museums with an annual attendance of fewer than 100,000 realize six-figure income. The two major income streams are rental fees and catering commissions. Often, other components of events, such as rented equipment, music, and flowers are also commissionable.

In the past, many museums allowed a wide variety of caterers to use their facilities because they believed that this policy removed a deterrent to rentals for those clients with a marked caterer preference. In practice, however, clients in search of alternate venues clearly select the venue first and the caterer second. Most museums believe that working with an exclusive caterer or maintaining a very short list of approved caterers leads to the most effective stewardship of museum property. They also believe that these relationships offer an incentive to caterers to share revenue.

Museum policies concerning eligibility and rental fees will often determine the magnitude of the catering opportunity. Life cycle events, particularly weddings, offer the highest sales volume to caterers, but by their nature they are high maintenance business. Other important categories in many markets include galas for other not-for-profits and convention or meeting business. For a museum, the economic impact may be significant, even as the events it chooses to host influence its community presence.

Commissions ranging from 10% to as high as 25% (depending upon operating circumstances and the sales base to which the percentage is applied) often equal or exceed rental revenues. In addition, an exclusive caterer frequently assumes the cost of marketing the rental facility, covering both production and media charges that otherwise would be borne by the museum. In particular, smaller properties can outsource their entire marketing effort, subject to appropriate contractual guarantees. In most cases, a caterer must agree to a minimum site-specific marketing commitment as part of its contractual obligations.

The issue always arises as to whether an exclusive caterer can provide the creativity and the range of price points to satisfy a diverse market. In part, this is a contractual question, dependent upon the museum's assessment of the resources within its marketplace. There are many off-premises caterers that can operate at a broad variety of price points, provided that the contract with the institution allows them to do so and that they receive clear direction from the client.

In-house Catering

Internal catering offers museums major benefits. It must be clearly understood that the client institution is the most favored nation. Our firm generally negotiates a combination of discounts for smaller events and, for galas and larger events, sets the price at cost plus a small percentage. The annual savings can be considerable.

Visitor food service is an equally vital part of the equation, although it does not drive the income stream. Any museum with a length of stay of an hour or more will find that visitors demand some type of refreshment. With a two-hour length of stay, some food service becomes essential to prolong the visitor experience. In fact, tour operators will often consider restaurant, café, or box lunch programs as important elements in the development of their packages.

An effective visitor food service can also bring significant ancillary benefits. Food service can increase the length of stay, which will enhance per capita spending in the museum shop and will be a factor in promoting membership. Restaurant discounts or member reservation policies can be part of the added value package for donors. With the exception of the highest attendance facilities, visitor food service, whether it be a snack bar, a café, or a table service restaurant is a loss leader economically, although a superior café or restaurant may prove to be an important adjunct to the museum's development activities.

Typically, visitor food service is a loss leader from the caterer's perspective as well, although he or she may receive business from other events that are held after hours, elsewhere on the museum grounds, or in conjunction with local events. There are institutions that provide food and beverage service for themed candlelight dinners; car, boat, or antique shows; and concession stands at community festivals. Whether or not these events are commissionable, museums may also benefit, since participation in these events often represents outreach to a diverse community.

Most museums are considering the best ways to utilize the real estate value of their space when the exhibits are closed to the public. Implementation of an aggressive rental program is a particularly effective strategy. We have worked with a variety of clients to develop yield management programs similar to those used by the on-premise catering and airline industries.

In summation, these revenue streams are "low hanging fruit" in comparison to multi-year development efforts. The impact of a well-conceived event rental and catering program can be an income stream that is self-renewing with little respect to the business cycle.

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