



## **NOTICE TO MEMBERS**

### **The latest F&B Menu Price increase is to cut down operating deficit – not to increase profits!**

*Dear Club Members,*

Since mid-September 2008 we have, via the various channels of communication, been preparing Members for the impending price increase at our F&B outlets due to take effect from 1 October 2008.

Since the implementation of the price revision, many Members have expressed their support and understanding, and accepted our explanation for the price increase. But there are also a number of members who felt that the increase was too “drastic”. We would like to take this opportunity to spell out the reasons behind this measure taken by the Club.

#### **Hefty increase in Food cost**

We illustrate this point without going too far back in history; within a short space of 7 months, from December 07 to July 08, the average cost of our raw materials and prepared food items had increased by a hefty 38.07%.

It ballooned further with the award of new contracts for our perishable food items that had expired in May 2008. Despite selecting the suppliers with the lowest bids from the tender exercise, the new price of poultry had jumped by 9.76%, eggs by 5.7%, and chicken by 9.2%.

The Club has been absorbing these increases for some time now. Unfortunately, it is no longer able to do so without incurring a huge operating deficit.

## Sound Costing Standards

As our F&B outlets do not incur rental fees, we decided to bring our food cost as a percentage of the menu prices down, from about 50-60% to a target of 40-42%. This is to bring us closer to industry standard where food costs makes up about 30% of the menu price. To achieve this, our selling price had to be revised upwards.

## Favorable Price Comparison

Despite the price increase, our menu prices remain competitive compared with other proprietary clubs in Singapore. For example, the new pricing for SSC's Laksa is \$7.00, inclusive of GST. If we exclude GST, our price still compares favorably with other similar establishments:

Laguna Country Club	\$ 10.80
NUSS	\$ 9.80
Serangoon Country Club	\$ 7.00
<b>Singapore Swimming Club</b>	<b>\$ 6.50</b>
Chinese Swimming Club	\$ 5.90

If we make price comparisons with other food items, cold drinks and even beer, a similar pattern will emerge. Our Tiger draft beer now sells for \$3.90 a mug during happy hours and \$4.50 outside of the happy-hours.

## New prices include 7% GST

Another point to note is that our new menu prices **include the 7% GST.** The Club has complied with the recommendations set by the Inland Revenue Authority of Singapore, to reflect GST in the menu price. Many of the other establishments have not yet complied. Once they do, we will get a clearer picture!

## Unfortunate coincidence of events

It is unfortunate that this upward revision of price comes at a time when other commodities like petrol, rice, flour and now electricity, are also on an upward spiral. This is something that is beyond the Club's control.

The Club, too, has been adversely affected by the price hikes. F&B has been incurring huge operating losses. Even after the price revision, the F&B Department is still likely to incur an operating deficit at the end of the current financial year.

**You would therefore appreciate that the price revision was carried out not so much to increase profits, as to reduce the operating deficit.**

### **Holistic approach to solving the problem**

Increasing the price is not the only solution to cover a deficit. We have also taken other measures – such as reducing wastage and improving work and operational efficiency – to improve the F&B bottom line. You will be pleased to know that our efforts at cutting costs have resulted in savings of nearly \$10,000 in our latest monthly food and beverage costs. We wish to assure members that there will be no compromise in the quality of the products and services in our F&B outlets.

### **Some side issues**

Some members have suggested raising the Club's subscription fee rather than raising our F&B menu prices. When the new Management Committee took office in late May 2008, it determined that the F&B Department had to be run like a commercial organization in order to keep our staff on their toes and be accountable for the management of the department. We had to break from the past practice of allowing F&B to incur huge losses and using Club funds to cover their operational losses. It was therefore crucial that the pricing of our products and services had to be at a level to encourage responsible practices and eliminate subsidies. Otherwise non-users among our membership will be indirectly subsidizing the consumers.

### **Conclusion**

We wish to assure members that there were compelling reasons for the price revision exercise. It was not to "target" any particular segment of the membership, but to put F&B finances on an even keel. In the final analysis, seeing to the Club's financial health is in every member's interest.

If you have any views which you would like to share with us, we would be most to happy to listen to them.

**THE MANAGEMENT TEAM**  
**16 October 2008**