

Private Club Perspectives

The Cost of Focusing on Cost of Goods Sold

By Amber Stone, CPA, Director

If a club reduced its food and beverage cost of goods sold (COGS) percentage by 3%, but members dined less frequently, would that be considered a success? Most boards would probably say no. Yet many clubs still evaluate food and beverage performance primarily through the lens of a single percentage.

Cost of Goods Sold Should Start the Conversation, Not End It

For many clubs, food and beverage discussions are based on COGS percentages. While these conversations are important, they often focus on the outcome rather than the underlying story, including member satisfaction, member engagement and whether food and beverage operations are supporting the club's long-term objectives.

In our experience, clubs often spend too much time debating whether a single month's COGS percentage met budget and not enough time understanding the operational factors driving the result. The most successful clubs use COGS as a starting point for discussion rather than a standalone measure of performance.

Food and beverage operations influence far more than the monthly profit or loss for the department. Dining trends can also influence future capital planning decisions, including renovations, expanded dining spaces, kitchen improvements and other amenity investments. Dining is one of the most visible amenities offered by a club and creates numerous opportunities for member interaction. From making a reservation and being greeted upon arrival to food quality, service levels and the overall dining atmosphere, members experience multiple touchpoints throughout a single visit. As a result, the **dining experience** plays a significant role in member satisfaction and retention.

As a result, the question should not simply be whether COGS is above or below budget. The more important question is whether the club is delivering the experience members expect while operating in a financially sustainable manner.

Understanding the Drivers Behind the Numbers

One of the most common pitfalls in analyzing COGS percentages is only comparing the current month's results to the previous month. Club operations naturally fluctuate throughout the year due to seasonality, weather, golf activity, holiday functions and member engagement patterns. As a result, month-to-month comparisons often provide limited insight.

A more meaningful approach is to compare current results to the same month in the prior year and evaluate year-to-date performance against the corresponding prior-year period. This allows management and boards to identify trends while accounting for the club's normal operating cycle.

When reviewing performance, management should also consider the factors driving any changes. For example, have outside events influenced results? Are inventory levels consistent with purchasing and usage patterns? Are recent operational changes producing the expected results, or are they hurting dining activity? Questions like these often provide more insight than the COGS percentage itself.

Outside events can also significantly impact results. Food and beverage operations are generally viewed as a member amenity, and as such, dining may not generate a profit. However, non-member events represent a different business objective. Because attendees are not contributing through dues or assessments, event pricing is typically structured to generate positive margins. When outside events operate at a loss, members are effectively subsidizing those activities. Where separate tracking of costs is not feasible, monitoring the number of outside events alongside monthly results can help explain fluctuations and identify trends.

Inventory is another critical component that is often overlooked. Because inventory balances directly impact the COGS, changes in inventory levels can significantly affect reported results. Inventory should be physically counted and reconciled at least monthly to ensure the accuracy of financial reporting while also serving as a control to help address fraud risks. Reviewing inventory balances alongside operational results provides a more complete picture of performance and helps identify unusual variances that warrant further investigation.

The most effective analyses also incorporate operational metrics such as covers served, average check amounts, banquet activity and event volume. These measures often provide context that financial statements alone cannot.

Why Benchmarks Don't Tell the Whole Story

Many boards ask what a "good" COGS percentage should be. While industry benchmarks can provide useful context, comparisons between clubs can often be misleading.

Every club operates under a unique business model. Revenue streams, dining philosophies, member demographics, pricing strategies and service expectations vary significantly from one club to another. A club with substantial banquet activity may naturally produce different results than a club focused almost exclusively on member dining. Likewise, clubs that prioritize premium dining experiences may have different cost structures than those focused primarily on affordability.

Board members are often familiar with financial benchmarks from traditional restaurants, but those benchmarks are not always appropriate for clubs because the objectives are fundamentally different. Restaurants are generally focused on profitability, while club dining is designed to support the member experience.

For these reasons, leadership should be cautious about drawing conclusions based solely on industry averages. Understanding the trends within your own club is often more valuable than comparing performance to a benchmark that may not reflect your operating model or member expectations.

When Lower Isn't Always Better

A decrease in COGS percentage is often automatically assumed to be a positive result. However, decreased percentages do not always indicate improved performance. COGS percentages can decline because menu prices increased, portion sizes were reduced or lower-cost ingredients were substituted. While these actions may improve a financial metric, they can also negatively impact the member experience.

This is why COGS should never be evaluated in isolation. A lower percentage may look favorable on a financial report, but if members are dining less frequently, providing negative feedback or choosing to dine elsewhere, the club may be moving in the wrong direction despite reporting a stronger metric.

At some point, additional cost reductions can negatively impact the member experience. Aggressive cost cutting may improve short-term financial metrics but ultimately discourage members from dining at the club. When that happens, members may choose to spend more of their dining dollars at competing local restaurants, reducing overall engagement at the club.

The most successful clubs recognize that food and beverage operations exist to support the overall member experience. Financial performance remains important, but it should be evaluated alongside other qualitative factors.

In short: A healthy food and beverage operation should be measured not only by what it costs, but also by the value it creates for members.

Questions That Matter More Than COGS

Rather than focusing exclusively on whether COGS meets budget, boards and management should use the information to better understand what is happening within the operation.

Consider incorporating these discussion topics:

- How do current results compare to the same period last year?
- Are members dining at the club more or less frequently than they did a year ago?
- What feedback are members providing about food quality, menu variety and service?
- What story do the numbers tell about member engagement?
- Are we measuring the right indicators, or are we overly focused on a single percentage?

When viewed through this broader lens, COGS becomes a valuable management tool rather than a simple scorecard. For boards and management teams, the goal is to understand what the numbers are saying about member engagement, operational performance and the club's long-term success.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters for private clubs. Please reach out to your PKF O'Connor Davies client service team or email any of the private club services team members below:

[Steve Noyes](#), CPA
Partner
snoyes@pkfod.com

[Brooke Rossi](#), CPA
Partner
brossi@pkfod.com

[Kerri Rawcliffe](#), CPA
Partner
krawcliffe@pkfod.com

[Amber Stone](#), CPA
Director
astone@pkfod.com

This article was originally published on June 26, 2026.

PKF O'Connor Davies provides the information in this e-newsletter for general guidance only and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.