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Leveraging Hotel Food and Beverage Partnerships to Improve Profitability

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HOTEL FOOD AND BEVERAGE DEPARTMENTS has evolved considerably over the past few decades, shaped over time by a combination of changing consumer preferences, trends in food service and concepts, and hotel brand/management approaches and resources. Possibly one of the most influential factors driving industry change, not only in the food and beverage department, but throughout hotel operations overall, is the link between profitability and investment returns. Even during periods of revenue growth, increasing operating expenses have significantly eroded profit margins in recent years, challenging hotel owners and operators to re-think the operating model and implement change to regain lost profits and hotel value. With more than one-quarter of all hotel revenue estimated to come from the sale of food and beverage, this department represents a significant opportunity to derive more profit, enhance value, and boost investment returns.

The purpose of this chapter is to introduce the concept of "partnering," specifically, engaging with outside food and beverage experts for the purposes of operating or branding outlets to improve overall hotel profitability. We will explore some key considerations surrounding the decision of which type of partnership might be feasible at a given property and describe the typical partnership structures most prevalent in the industry today. We will then review the benefits and risks associated with each structure and outline available resources for owners seeking partnership opportunities.

In a related chapter in the second edition of the book *Hotel Asset Management: Principles & Practices*, we describe a process for identifying opportunities that enhance food and beverage profitability, focusing on methods hoteliers can use to evaluate their food and beverage programs and on strategies for increasing revenue and reducing expenses.[1] Through this process, hoteliers can readily identify those components of an existing food and beverage program which are positively contributing or negatively affecting a hotel's bottom line. It is important that this process be undertaken as a first step before examining the strategies and partnership opportunities presented in this chapter.

Hotel Dining Past and Present

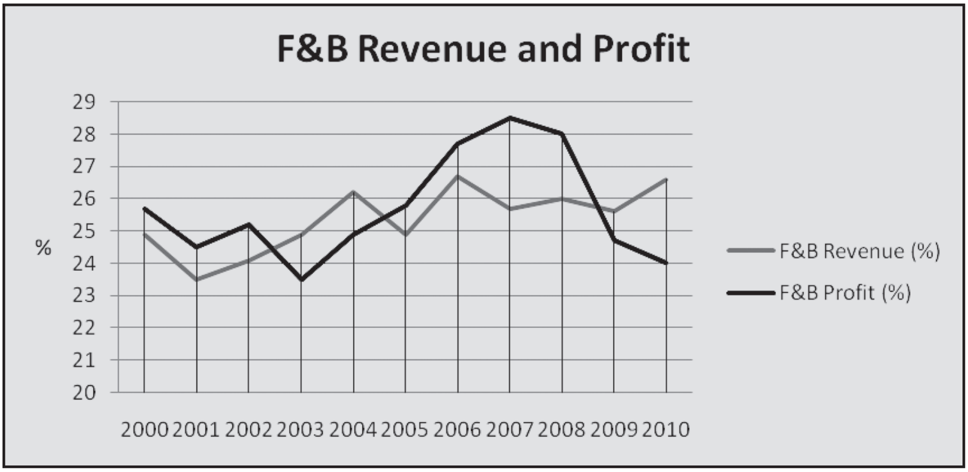
Hotel restaurants have historically struggled to gain the same notoriety as their independently operated counterparts. Guests have long associated hotel dining with lackluster menus, non-descript concepts, overly formal dining rooms, and exorbitantly high prices. From an operating perspective, hotel restaurants have long been regarded as a necessary convenience or required amenity, often managed as a cost center rather than a profit center. Twenty to thirty years ago, it was not uncommon for full-service hotels to operate multiple outlets, many open for redundant meal periods, heavily taxing the operation from a cost standpoint. Early development guidelines for hotels reduced food and beverage space planning to a calculation of overall floor space and provided guidelines for typical allocations for the coffee shop, specialty restaurant, formal dining room, and cocktail lounge, all deemed as necessary components for full-service hotels.

Hotel food and beverage outlets were singularly focused on guests, with little to no external marketing or consideration for physical location within the hotel, with many outlets being tucked into the far corners of the property, resulting in little to no outside patronage. Non-guest patronage of hotel restaurants was typically reserved for business meetings, special occasions, holidays, and the occasional Sunday brunch. Outside of a few select restaurants that were able to gain recognition as desirable destinations, the general perception of hotel dining was mediocre at best.

Thankfully, great strides in hotel dining have been made within the past several decades with more properties focusing on quality over quantity. Hotels today feature a wider variety of concepts, both original and branded, that are more responsive to the needs of hotel guests, groups, and the local market. Similarly, the industry has witnessed a shift in food and beverage programming. A demand-based model is employed for determining space and concept requirements, taking into consideration a hotel's positioning, location, and what local dining alternatives may be available for guests. A fundamental change in outlet profitability expectations has also occurred, whereby profit is expected and operating losses are no longer acceptable. The outcome, as evidenced by properties that were built within the past few years, are innovations in hotel dining focused on meeting guest needs with fewer yet more creative options. New hotel development supports a trend in allocating less physical space to food and beverage, yet through design and innovation, more profit is being generated out of less space. Today, hotel owners and operators are more focused than ever on food and beverage, recognizing the impact that a well-executed dining program can have as a sales tool, providing competitive differentiation, and as an opportunity for driving incremental profit. From a hotel brand perspective, many companies have allocated additional resources toward developing internal restaurant concepts and brands and forging new relationships with food industry experts, national restaurant companies, and even celebrity chefs to help change the landscape of available options for hotel owners.

Notable progression aside, the economic landscape has given way to a steadily increasing expense structure that continues to plague the hotel industry and challenge operators to come up with new ways of sustaining profit levels without damaging the guest experience. Over the past decade, hotel food and beverage departmental revenue has accounted for more than one quarter of the total revenue generated by all hotels sampled in PKF Hospitality Research's publication, *Trends in the Hotel Industry*.[2] Despite strong sales contributions, the average food and beverage departmental profit margin is typically between 20 and 30 percent (see Exhibit 1), and can vary considerably based on a hotel's mix of banquet sales (which generate more profit than outlet operations). Excluding banquet profits and considering all other expenses that are not typically allocated to individual hotel restaurants (e.g., administrative and general expenses; utilities expenses; property maintenance expenses; base management fees,; and furniture, fixtures, and equipment [FF&E] reserve), many outlets still operate at profit margins well below the restaurant industry average, with some even operating at losses.

Exhibit 1 Summary of Food and Beverage Partnerships



Compiled from PKF Hospitality Research, *Trends in the U.S. Hotel Industry*, 2000–2010.

What Factors Affect a Hotel Restaurant's Ability to Generate Meaningful Profit?

Hotels by nature are unique and highly complex operations, unlike any other form of real estate or business. The number of guests (occupancy) and their propensity to use in-house food and beverage can fluctuate day-to-day, depending on the reason for visiting, whether traveling alone or as part of a group, length of stay, season, weather, and many other factors over which a hotel may have limited control. While hotel operators have become more sophisticated in forecasting volume and adjusting operating hours and expenses to meet demand, profitability is still a challenge for hotel restaurants. The challenge often relates to the number of outlets, operating hours, staffing requirements, location within the hotel, and overall management of outlets. Most hotel companies take a decentralized approach to food and beverage management. A director of food and beverage may oversee a banquet manager, a beverage manager, a purchasing manager, in-room dining managers, restaurant managers, and the kitchen. In this scenario, the restaurant manager responsible for managing a specific outlet actually has very little control and/or influence over the broad financial picture. The menu is set and approved by the chef; the purchasing is handled in the aggregate for the property; and the manager may or may not have any direct control over hiring or marketing. In short, a hotel restaurant manager's sphere of influence is quite limited and focused for the most part on front-of-the-house operations. From a career progression standpoint, a hotel outlet manager position is often regarded as a stepping stone toward moving up the food and beverage departmental ladder. By contrast, an independently operated restaurant has a general manager responsible for the operation's financial performance. This general manager, a well-respected and highly compensated position, typically oversees front- and back-of-the-house managers and a chef.

Streamlined reporting, direct accountability, and an outlet-level focus on profitability are a few traits that distinguish "restaurants" from "hotel restaurants."

Some hotel companies have adopted an organizational structure more closely aligned with privately operated restaurants, while others have recognized that specialty dining is not their core competency. Regardless, the end goal is to provide food and beverage options that make economic sense, while meeting guest expectations, brand requirements, and owner investment goals. Engaging with a third-party food and beverage partner has opened the door for many hotels to do just that.

To Partner or Not To Partner: Key Considerations

Before seeking third-party solutions to food and beverage problems, owners and operators should identify the issues that affect departmental profitability. Does a hotel have too many outlets? Are the concepts dated? Do internal outlets compete during certain meal periods? How much profit does each outlet generate when expenses are fully allocated? The process for assessing a hotel's food and beverage program and the qualitative and quantitative factors that affect departmental profits appear in *Hotel Asset Management* (cited earlier). Having completed that process, owners and operators will have determined an optimal food and beverage program, including the number and mix of outlets, spatial requirements, and desired outlet locations. Through this process, some outlets and concepts may be retained, while others will be eliminated or reconceptualized. It is at this point that owners and operators may conclude, based on their plan and financial analyses, that a higher return can be achived by partnering with a third-party for specific outlets within a hotel's desired food and beverage program. Partnering may potentially make sense if there is a concept and/or third-party manager that can (1) generate incremental business volume; (2) generate higher-priced business; (3) operate more cost-effectively; and (4) generate more profit, even after fees.

Outsourcing and/or branding food and beverage concepts may not be the right decision for every hotel, but for some, a food and beverage partnership can bring valuable opportunities and financial upside. The decision to partner will require close coordination with many parties involved with the asset; it will likely affect many areas of the operation, and management must evaluate these effects before seeking a partnership. Owners and operators must take into account the following key considerations to help shape the type of partnership that might work best, as well as determine what solutions may or may not be viable at a given hotel.

Internal Considerations

Labor Unions. Many U.S. hotels are already in operating partnerships with unions. Unions are estimated to represent more than 100,000 workers in approximately 900 hotels. A labor agreement (also known as a collective bargaining agreement) governs the hotel/union relationship, outlining work rules, wages, and other employment conditions. When evaluating partnership opportunities, hoteliers must understand the potential effects such changes will have on their staff. For example, partnering with a non-unionized restaurant operator will usually not get a union hotel out of staffing the outlet with union labor. As most lease operators require full control of the space and experience, including employee selection, an existing union environment may eliminate a straight lease as an option. There may, however, be an opportunity to bring in a third-party operator and/or licensed concept. In either case, hotels and unions have been able to renegotiate with some degree of success various aspects of past practices that may no longer be relevant or economically feasible to support new concepts and a customer experience that operates at a profit. It is in the interests of both the operator and the union to work harmoniously toward solutions to remain profitable and preserve jobs.

Brand Standards. While most hotel management agreements include a provision for partnering, hotel brand companies have specific standards governing nearly all aspects of a branded hotel operation. Standards surrounding food and beverage typically focus on ensuring guests have access to options that meet brand expectations and address quality of product, service style, hours of operation, available meal periods, menu, pricing, and approved concepts, among others. Another area that is routinely problematic is in-room dining, with many brands requiring around-the-clock service seven days a week. Such operations have historically been challenged to make a profit, given the operating hours, but must be considered, especially when negotiating a third-party solution. Brands have shown more flexibility over the years in terms of accepting alternative solutions, required in part by the growing need to re-tool food and beverage to remain profitable. Understanding the requirements of and potential challenges to existing brand standards is important when embarking on an external partnership. Most hotel brands will want to weigh in on the concept and programmatic elements, including fit and finish of the space. Brands, as discussed later in this chapter, have in fact been increasingly active in supporting hotel owners in forging restaurant partnerships; they represent a valuable resource when exploring options.

Market Positioning. Hotels should foster a "sense of place" in which all operating elements combine to create a cohesive positive guest experience. When considering partnership opportunities, owners and operators must consider their properties' positioning to ensure potential partners support or enhance the guest experience. A successfully executed partnership not only increases food and beverage profit, it also differentiates the hotel from competitors, boosting room sales in the process.

Physical Plant. To assess partnership options, owners and operators must recognize any challenges and constraints the hotel's physical structure imposes. Does the hotel have more than one kitchen, or will hotel staff and a third-party operator have to share one? Does the space have street access? Can the hotel separately meter the space for utilities and related expenses? Does the hotel have more than one restaurant to fulfill all meal periods? What is the parking situation, and can the lot or garage accommodate additional cars from a new restaurant? A hotel's physical realities affect its partnership opportunities.

Anticipated Investment Horizon. Partnerships typically require commitments of ten to fifteen years (possibly longer). Before entering into partnerships, owners should consider investment hold periods, especially if owners anticipate selling their hotels in the near future. Potential buyers might reject properties encumbered by long-term agreements. Conversely, if the anticipated hold period is such that it would allow ample time for a new operation to ramp-up and add incremental profit and value, a partnership could be highly beneficial.

Capital Resources. In almost all cases, owners must invest capital in partnerships. Amounts depend on the partnership type. For example, a hotel's owner might pay an initial setup fee of $10,000 to $15,000 for a new brand license. Another owner might spend millions of dollars to build custom space for its lease partner. When determining which partnerships to pursue, owners must assess their capital resources and establish the amounts they can spend.

External Considerations

Owners and operators have little control over several external factors that will certainly affect future partnerships.

Location. Market location plays a huge role in outside parties' level of interest in hotel restaurants. National restaurant chains tend to prefer major metropolitan and destination resort markets that attract local residents. Potential partners also consider outlets' locations within the hotel; most restaurant groups require street access and separate entrances. To identify beneficial partnership opportunities, owners must assess market dynamics and their locations' desirability.

Competitive Market. To rule out duplicative concepts and identify opportunities that fill market gaps, owners should assess their communities' competitive landscape. For example, to attract a branded steakhouse, a hotel owner must determine which steakhouse brands the market already maintains, and whether these properties would compete with the hotel's steakhouse concept. Local competition does not affect all operations; for example, a stand-alone Starbucks down the street probably does not directly compete with a Starbucks in the hotel's lobby.

Typical Partnership Structures and Operating Models

The following sections describe the industry's most prevalent food and beverage partnership structures. The sections also outline typical deal terms, and list each structure's pros and cons. Exhibit 2 summarizes the information.

License Agreement. A license agreement, or franchise, is the simplest form of food and beverage partnership. Under a license agreement, a hotel (i.e., the licensee) pays for the right to operate an outlet under a specific brand (i.e., the licensor) and sell related products in accordance with brand guidelines. Licensors might offer initial training and help hotels establish their operations, but hotel management teams and staff ultimately assume operational responsibility. Licensed concepts in hotels are typically national brands that look and feel like their stand-alone counterparts (though some features may be modified for special uses in hotels and airports). To successfully implement license agreements, owners must ensure the brands or concepts: (1) align with hotels' overall positioning; (2) resonate with guests and enhance overall satisfaction; (3) are equally, if not more, cost-effective to operate; and (4) let the property generate incremental revenue (through volume, price, or both) to more than offset the licensing fees.

Exhibit 2 Summary of Food and Beverage Partnerships

Structure	Typical Terms	Benefits	Risks
License	• Minimum five-to-ten-year term • 5 to 8 percent of gross revenue	• Use of a well-known, established brand with a proven track record of delivering revenue • Maintenance of control	• Hotel management's ability to execute on concept and derive incremental profits • Cost related to brand/concept standards (service, product, fit-out) • Owner assumes 100-percent responsibility for financial risk
Lease	• Minimum ten-year term • 6 to 10 percent of gross revenue (with minimum payment guaranteed) • Share in common expenses • Tenant owns employees	• Guaranteed base level of income • Share in the upside • All expenses paid by lessee	• Creditworthiness of tenant • Very limited control • Expense for build-out • Locked in for a minimum of ten years • Concept shelf-life
Third-Party Operator	• Five-to-ten-year term • 3 to 6 percent of gross revenue, plus incentive	• Owner shares 100 percent in upside • More flexibility in agreement • More entrepreneurial	• Owner is 100 percent responsible for risk • Complexity (i.e., multiple management companies within one hotel)
Hybrid: Operator/ License	• Minimum ten-year term • 3 to 6 percent of gross revenue, plus incentive	• National brand/operator recognition; typically high-profile • Payment of a management fee, which includes a license	• Longevity of partner company • Attention from partner company in light of competing interests to grow • Complexity surrounding partnership • Multiple contracts (between operator and owner and operator and hotel manager)

Licensed concepts can range from quick-service outlets to full-service restaurants, but the hotel team's ability to derive a profit may limit the universe of realistic options. The amount of space a hotel can allocate and the cost of building out space to meet license guidelines also affect partnership opportunities. For example, Starbucks is a licensed concept that works for many hotels; it requires minimal space and offers a straightforward product that staff can deliver with proper training and equipment. Starbucks' product has a strong brand following—one for which many patrons pay a premium over a "home-grown" coffee concept.

Lease Agreement. Lease agreements are similar to landlord/tenant relationships; a restaurateur (i.e., the tenant) leases space within a hotel (i.e., the landlord) for a predetermined food and beverage outlet. The hotel typically gains a locked-in return, but usually must fund at least part of the space's build-out (either by directly contributing capital or deferring rent during the restaurant's first years of operation). Lease payments typically equal a percentage of sales (averaging between 6 and 10 percent of gross revenues), with a guaranteed base rent minimum. Hotel owners find the lease agreement structure attractive because it lets them share in such outlets' upside while receiving guaranteed base payments.

The lease agreement must address how various expenses will be handled. Ideally, hotels should separately meter utilities, trash removal, and other direct expenses and charge for them at cost. Shared expenses, like common area maintenance, cleaning, and valet parking (to name a few), must be negotiated.

Lease agreements typically last a minimum of ten years; most have options to extend. The major risk factors of a lease agreement include (1) the tenant's creditworthiness; (2) the concept's shelf life; (3) the build-out's expense; and (4) the fact that the hotel must relinquish control of a guest experience to a third-party operator.

Lease agreements typically work best when there is more than one restaurant and the hotel is able to maintain some level of control over food and beverage sales and service, perhaps by overseeing at least one outlet and banquets. However, there are also instances where an entire food and beverage operation can be leased. Leased restaurants typically include nationally or regionally acclaimed chefs and/or restaurant companies that often have multiple concepts. As stated earlier, the caliber of the space, access to a separate kitchen, location within the hotel, street access, visibility, and a property's location are all factors that will influence a hotel's ability to attract a desirable lease partner. At times, though, a lease partner for a specialty food outlet or quick-serve concept (e.g., coffee cafés, burrito bars) may be more local in nature. In either instance, the potential for business, both internal and external, will be a major factor in the choice and ultimate success of the operation.

Third-Party Operating Agreement. Some hoteliers believe effective concepting and cost control will generate incremental revenue and profit, but only if a third-party operator (either a firm or individuals) with expertise in restaurant and/or lounge operations handles those tasks. Under a third-party operating agreement, the hotel (i.e., the owner) pays the operator a management fee (typically from 3 to 6 percent of gross revenues) and, in most cases, negotiated incentive fees when the operator achieves specific financial targets. The third-party operating agreement gives hoteliers more control over food and beverage outlets than does the straight-lease scenario; in addition, it gives hoteliers all the outlets' profits (less management fees). However, under a third-party operating agreement, the hotel also assumes complete responsibility for operation's expenses and financial risks.

Third-party operators tend to be local or regional firms that use their own staff and concepts (though several national third-party restaurant operators like cb5 and Myriad Restaurant Group have a proven track record of partnering with hotels). Third-party operators are typically willing to share kitchens and work within the confines of the hotel. Agreements usually last five to ten years and can involve a single food and beverage operation or a hotel's entire food and beverage department, including banquets.

Hybrid. As hotel owners seek profitable partnerships, they sometimes develop new relationships that do not fit the previously described models. We refer to these new relationships as "hybrids." Hybrid or blended structures stem from circumstances that require hotels to modify the common models. Hybrid structures usually involve national or international operators (i.e., prominent brands with successful track records). A hotel that partners with these operators reaps several benefits; not only do well-known brands generate food and beverage business, they also help sell rooms as they enhance a hotel's credibility among travelers. Because hybrid arrangements are the most complex partnerships, they require extensive negotiation, close operating coordination, and custom accounting solutions. Additional risk can be attributed to the national partner, which, like hotel management companies, may be corporately focused on expansion. Ensuring that proper support and resources will be allocated to a specific hotel operation is critical to the success of such an arrangement.

The W Boston recently implemented a hybrid food and beverage arrangement. When the hotel was under construction, ownership saw tremendous potential in the spaces programmed for food and beverage use, including prime space with street access and a geographic location promising strong visibility and high volume potential. Ownership sought to leverage an existing relationship through Starwood Hotels and Resorts to partner with Culinary Concepts Hospitality Group, a company that develops, owns, operates, manages, and licenses world-class restaurant concepts created by Michelin three-star chef Jean-Georges Vongerichten. The hotel, however, was subject to a unionized labor structure that applied to all spaces within the hotel, whether leased, managed, or otherwise. For many food and beverage partners, assuming a unionized labor situation is not an option, so a straight lease was not possible, yet the brand and concept required expertise not readily transferred or available through licensing. Therefore, the various parties needed to come together in a negotiated hybrid structure. The Culinary Concepts team was brought in under an operator/license agreement to provide the management team (operator) and market concept (license); under the direction of Culinary Concepts management, the unit was staffed (servers, cooks, hosts, etc.) by Starwood employees under the existing union agreement. Culinary Concepts was paid a combined management/license fee, as was Starwood. Hotel ownership, hotel operator, and restaurant operator entered into this hybrid tri-party agreement.

Resources

A number of resources are available to help hotel owners understand their partnership options and to provide varying degrees of support during the decision process.

Hotel Brand and Operating Companies

With hotel brands increasingly supporting innovation in food and beverage concepts and accommodating a range of solutions (from internal turnkey concepts to master contracts with pre-qualified food service brand companies), a hotel's brand company is a logical place for owners to start their research.

For example, in early 2011, responding to owners' growing desire for leases or partnerships with third-party operators and celebrity chefs, Hilton launched a web-based interactive tool (www.hiltonrestaurantconcepts.com) that helps owners identify appropriate restaurant concepts. The website gives owners access to concepts that work in full-service hotels, including those developed internally by Hilton Worldwide, as well as those of national food service brands like Ruth's Chris Steak House, Mitchell's Fish Market, and The Coffee Bean & Tea Leaf. Hilton gives owners internal guides on everything from menu development and training to merchandising and financial auditing. The site also provides a list of qualified restaurant consultants. Hilton hotels have partnered with concepts like Morimoto, Drago's Seafood Restaurant, Fox Sports Grill, Benihana, and The Palm Restaurant, as well as with famed chefs such as Donna Scala (at the Hilton Orlando Bonnet Creek) and John Besh (at the Hilton New Orleans).

Marriott International has also established a strong corporate food and beverage resource center, facilitated through its proprietary owner website, Marriott Global Source. Here, hotel owners of Marriott-branded products can access comprehensive programs, internally developed concepts, and information guides to boost their food and beverage outlets' profits. The site encourages properties to focus on elements that enhance guest satisfaction and profitability, and challenges them to create and share best practices. Marriott offers several internally branded concepts, such as Champions Sports Bar and Quench Poolside Bar & Grill. Marriott also offers a "Great Room" lobby concept that drives food and beverage revenue through day/night service and multi-purpose seating options. Marriott is pro-partnership, encouraging third-party affiliations with well-known chefs like Gordon Ramsay (star of the television show "Hell's Kitchen"), Kerry Simon (the "Rock n' Roll Chef" associated with L.A. Market), and French chef Alain Ducasse, to name a few. To highlight these outlets, Marriott created a restaurant showcase page that web users can access from the company's homepage, www.marriott.com.

Starwood Hotels and Resorts is another food and beverage innovator, having established relationships with cutting-edge restaurateurs at many of its full-service properties, such as W Hotels, St. Regis Hotels, and Westin Hotels & Resorts. Starwood relationships include ventures with Culinary Concepts by chef/restaurateur Jean-Georges Vongerichten, and The Gerber Group, known for its Whiskey Bar nightlife concept.

Kimpton Hotels & Restaurants, developer, owner, and operator of independent boutique lifestyle hotels, takes a unique approach to food and beverage operations. As its name implies, Kimpton Hotels & Restaurants views both hotels and restaurants as integral to the guest experience. Kimpton regards them as distinct entities, each requiring a specific skill set and high level of expertise. As such, Kimpton operates its hotels and restaurants as separate units, and ensures that hotels incorporate unique, chef-driven, destination restaurants as part of their guest experiences.

Hotel Asset Managers

Asset managers are keenly focused on the area of food and beverage. They collaborate with operating teams and identify strategic opportunities to enhance departmental profitability. They hold the distinct advantage of representing several ownership groups and generally receive exposure to a wide range of property types, brands, and markets. Through this experience, asset managers gain an understanding of best practices and an ability to recommend options that proved successful at similar properties. Most asset management companies have experience with major brand companies and are familiar with the process of identifying and evaluating partnerships and their financial value.

Restaurant Consultants

Owners may choose to retain restaurant consultants to help with food and beverage planning, concepting, design, branding, and partnering. Several restaurant consulting groups exist today, many of which offer management services and partnership possibilities. Owners should seek consultants with hospitality food service experience (such as cb5 and Technomic, among many others). Brand companies and asset managers can provide referrals, as can the ISHC's website, www.ishc.com.

Existing Partners

Owners of one or more hotels with existing food and beverage tenants might consider asking those tenants whether they have interest in expansion. Hoteliers face risks when expanding existing partnerships, but if those partnerships have proven successful, hoteliers may encounter less risk than if they embark on new partnerships. An existing partner might expand its current operation or add a new concept, either within the hotel or across multiple properties under the hotel's ownership. For example, a major urban hotel had excess retail space for lease. An existing lease partner operated a restaurant within the hotel and expressed interest in not only opening a second restaurant within the complex, but also leasing adjacent retail space for a take-out counter that would operate in tandem with the new restaurant. The existing tenant's first restaurant had been successful, and the hotel was in a market that generated significant lunch and dinner traffic. Given the tenant's strong credit history, restaurant concepting, and operating expertise, the hotel's owners negotiated a favorable lease agreement.

Conclusion

Many opportunities exist for informed hotel owners to increase asset value and optimize investment returns. In light of rising expenses, hoteliers must take hard looks at their food and beverage operations, and understand the ways individual outlets (the true performance of which is often masked by lucrative banquet operations) can affect their profits. In the last decade, the hotel industry has come a long way in partnering to varying degrees with dining experts. In doing so, the industry has responded to consumer trends and expectations, while creating sustainable and profitable food and beverage departments. A one-size-fits-all solution does not exist, but hoteliers have real opportunities—whether through internal solutions or partnerships—to refine their food and beverage operating models.

Endnotes

1. Chad Crandell and Kristie Dickinson. "Best Practices in Maximizing Food and Beverage Profitability," in Greg Denton, Lori E. Raleigh, and A.J. Singh (eds.), *Hotel Asset Management: Principles & Practices*, Second Ed. (Lansing, Mich.: American Hotel & Lodging Educational Institute, 2009), 293–323.
2. Compiled from PKF Hospitality Research, *Trends in the U.S. Hotel Industry* (Lawrenceville, Kan.: PKF Hospitality Research, 2000–2011).