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CONFERENCE

FOCUSING ON LEGAL, SAFETY & SECURITY SOLUTIONS

FEBRUARY 10th - 12th, 2014

THE FUTURE OF HOTEL FOOD & BEVERAGE OPERATIONS

THOMAS J. POSEY

FAEGRE BAKER DANIELS LLP

THE FUTURE OF HOTEL FOOD & BEVERAGE OPERATIONS

Tom Posey

FAEGRE BAKER
DANIELS

- Tom represents Hospitality Industry Employers in Collective Bargaining, Arbitrations and NLRB Matters
- Also Represents Employers in Federal and State Litigation and Jury Trials
- Part of the Firm's full-service Hospitality Industry Practice Group, representing hotels, restaurants, resorts and casinos in all aspects of their operations

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- **HOW DID WE GET HERE?**
- **MOVING FORWARD – WHAT TO EXPECT IN 2014 AND BEYOND**
- **CASE STUDIES: THE GOOD, THE BAD AND THE UGLY**

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WHERE ARE WE NOW?

- **Limited Service Models**
 - **No Room Service**
 - **Cafeteria/ Buffet**
- **Restaurant Partnerships**

NO ROOM (SERVICE) AT THE INN

- **NEW YORK HILTON MIDTOWN**
 - Approx. 2,000 rooms
 - Self-service Cafeteria Restaurant
- **HILTON HAWAIIAN VILLAGE – WAIKIKI BEACH**
 - Room Service Eliminated
- **GRAND HYATT – TIMES SQUARE**
 - Reduced Room Service Hours/Gourmet Market
- **PUBLIC CHICAGO**
 - Gourmet Meals via Brown Bag

HOW DID WE GET HERE?

- **Reduced Demand**
- **Labor Costs**
 - **Statutory**
 - **Union Labor**

HOW DID WE GET HERE?

■ Reduced Demand

- In 2012, room service revenue represented 1.2% of total hotel revenue (PKF Hospitality Research)
- Equivalent to \$2.37 in room-service charges per room each day

WHAT DO THESE THINGS ALL HAVE IN COMMON...

- **PITCHERS OF WATER**
- **STENOGRAPHERS**
- **HOUSE BAND**
- **OPERATORS**

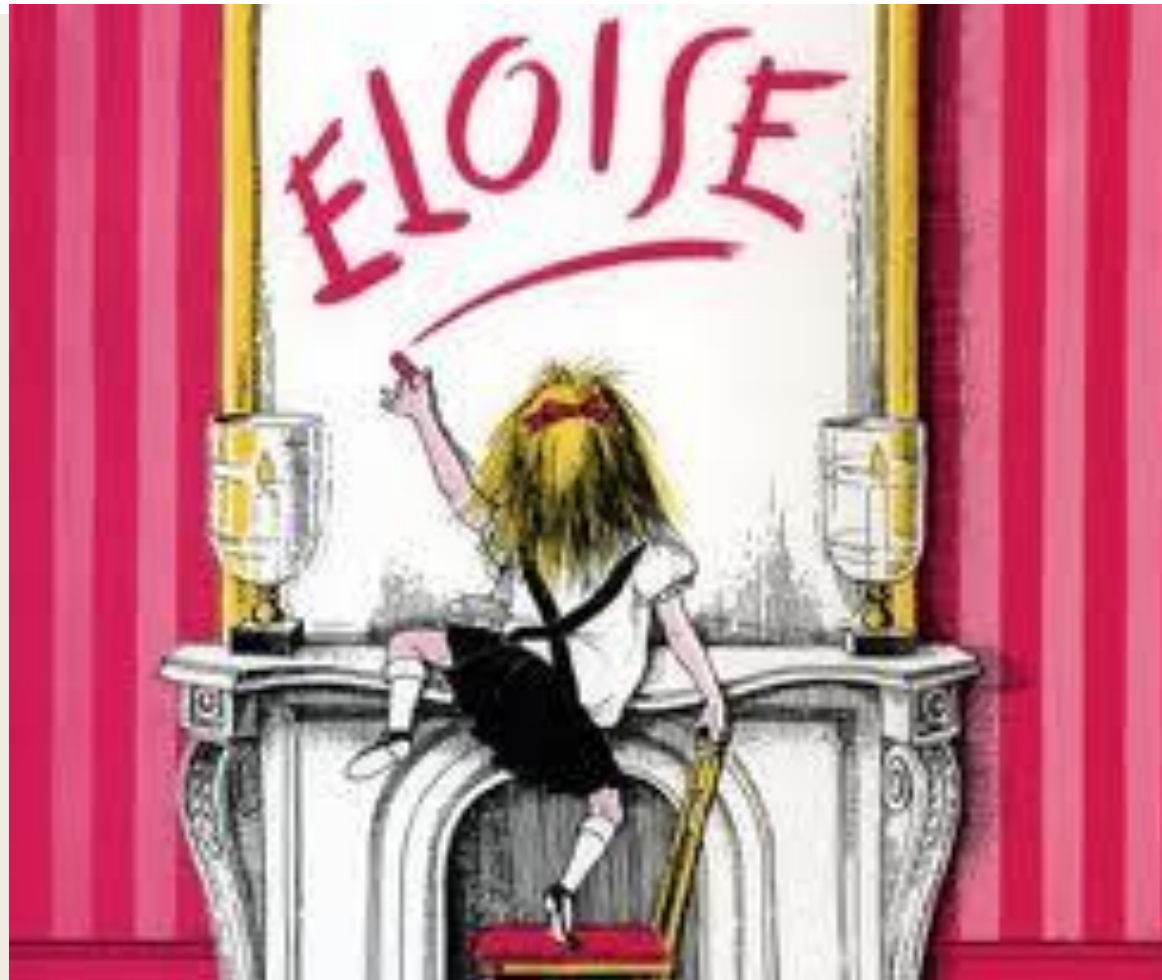
ONE ROAST-BEEF BONE, ONE RAISIN AND SEVEN SPOONS...

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THE F&B DEPARTMENT...IS IT THIS?

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...OR THE NO FRILLS EDITION?

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www.BoardingArea.com -- *View From the Wing Blog*

STATUTORY LABOR COSTS

LOS ANGELES

- Average U.S. Minimum Wage is \$7.25
- California Minimum Wage is \$8
- Proposal to raise minimum hourly wage for hotel workers to \$15
 - At hotels with 100 or more rooms
- Equivalent to Union Wage Rates

UNION LABOR COSTS

- National Bargaining Strategies
- Heightened Subcontracting Restrictions
- Expanded Successorship Obligations
- Limit/Prohibit Restaurant Partnerships

STRATEGY: NATIONAL FOCUS

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- **Coordinated Efforts
in Multiple Cities**
- **Long Agreement
Terms (5 years plus)**

SUCCESSORSHIP

- Require Purchasers and Management Companies to Assume CBA
- Extend Obligation to Affiliated Companies

SUBCONTRACTING

- **Using Non-Employees to Perform Work**
- **Expand to Include Purchasing Products**
- **Specialty Items**
 - **Wedding Cakes**
 - **Indian/Kosher Catering**
 - **Boxed Lunches**

LIMITATIONS ON RESTAURANT PARTNERSHIPS

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The provisions of this Section apply to all operations of the Hotel premises covered by this Agreement, regardless of location or displacement of employees or prior use of the area occupied by such operations.

Excerpt from UNITE HERE General Subcontracting Provision
(2013-2018 CBA)

RECOGNITION CLAUSE

Recognize the union as exclusive representative of all employees in any hotel newly constructed, owned or managed “in substantially the same style and manner and offering substantially the same range of guest services as [Hotel name]”

“All other hotels...shall be defined as a ‘limited service hotel’ and shall be specifically excluded from the provisions of this Agreement.”

Excerpts from UNITE HERE CBA and Side Letters (2013-2018 CBA)

WHERE ARE WE GOING?

- **Shorter Room Service Hours**
- **“Food Delivery” replaces “Gourmet Meal Service”**
- **Just Like Mom Used to ~~Make~~ Tell You to Make Yourself**
 - **79% of U.S. lodgings offered complimentary breakfast in 2012**
 - **Up from 55% in 2010**

WHERE ARE WE GOING?

- **Grab and Go**
- **Restaurant Partnerships – On and Off Site**
- **DIY Room Service...Hand Me My Phone**
 - **Eat24.com**
 - **Delivery.com**
 - **Grubhub.com**
 - **Seamless.com**

HOW DO WE GET THERE?

CASE STUDIES

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AVOIDING THE SINKHOLES

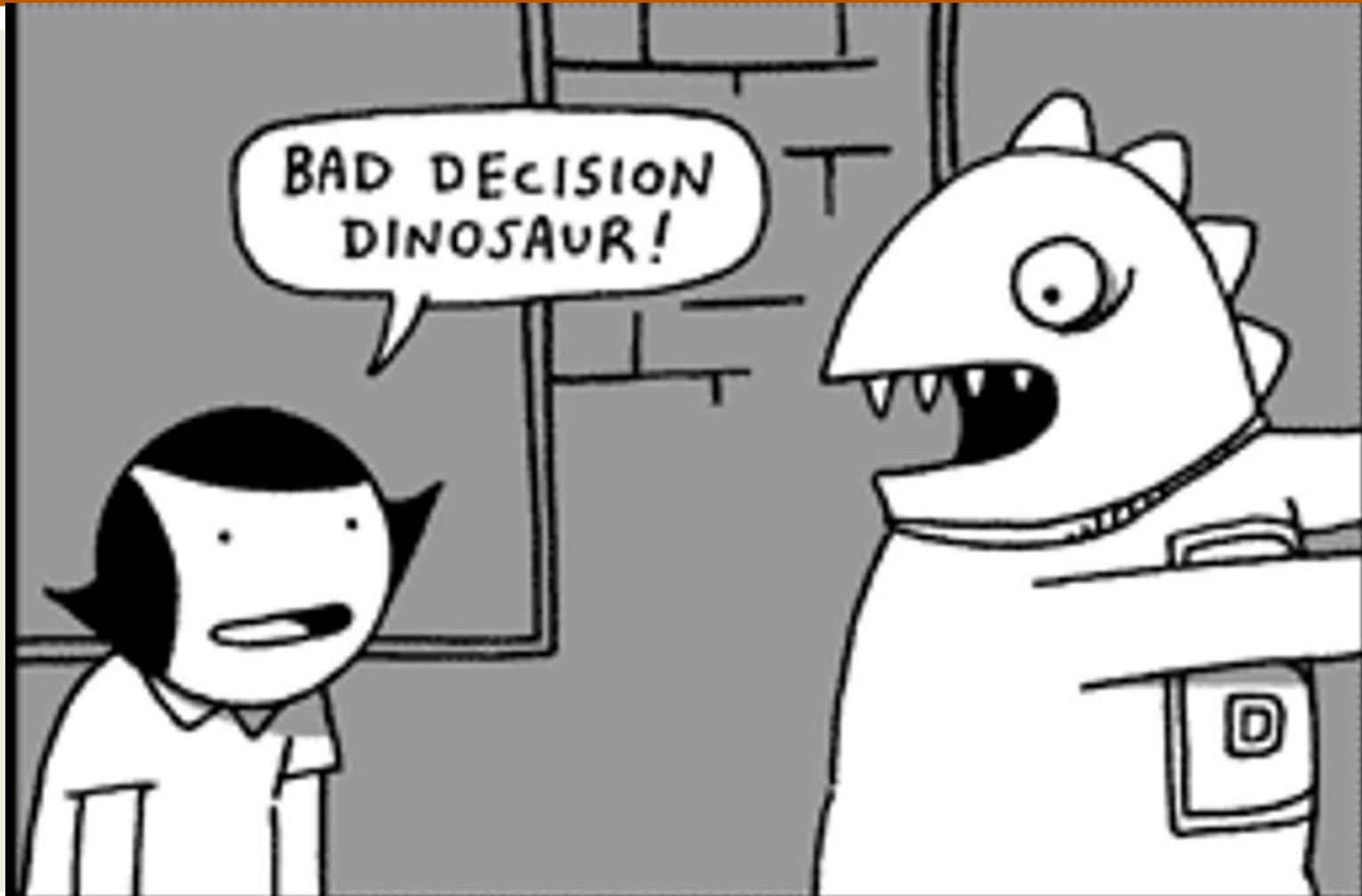
- **START EARLY**
- **KNOW THE APPLICABLE CONTRACT LANGUAGE**
- **BALANCE THE RISKS**
- **BE CREATIVE**
- **BE FLEXIBLE**
- **AVOID THE DINOSAUR**

AVOID THE DINOSAUR

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QUESTIONS?