



2014
**STATE OF
THE INDUSTRY**
HOSPITALITY EDITION

Looking at the
four key elements
facing hospitality today.

PEOPLE
to KNOW

 **CLARK SCHAEFER HACKETT**
CPAs & BUSINESS CONSULTANTS

HOSPITALITY LEADERS AROUND THE TABLE

Janet Boissy

Vice President Marketing
and Sales
Indus Hotels

Larry Clark

President and CEO
Made From Scratch

Scott Heimlich

Owner, Barcelona
Restaurant
and Sidebar Global Catering

Bob Kramer

Director, Food Safety and
Services
Food Fort Columbus, ECDI

Gina Kramer

Executive Director
Savour Food Safety
International

Larry Mench

Vice President, U.S.
Operations
Tim Hortons USA, Inc.

John Venturella

Shareholder
Clark Schaefer Hackett

Ed Walsh

Shareholder
Clark Schaefer Hackett

Nathan Wood

Director, Sales and
Marketing
The Westin Columbus

Barry Young

Chef Instructor and Culinary
Apprenticeship Coordinator
Columbus State Community
College



2014 **STATE OF THE INDUSTRY** HOSPITALITY

Welcome to our *lite* paper, an observation on the state of the industry, offered by People to Know in Hospitality.

At Clark Schaefer Hackett, we're proud to be industry specialists. We dig deeply into the industries we serve and share the resulting insight for the good of our clients and communities.

When we gathered the select few recently named "People to Know in Hospitality" we were privy to profound thought, unique perspectives, and intelligent understanding.

These hospitality leaders, recognized as the most influential in Central Ohio, illuminated the universal trends, challenges and opportunities seen nationally across the sector today.

The issues impacting hospitality today also reflect our society, business and culture.

Exactly how these issues will shape our future is the question that remains.



2014 STATE OF THE INDUSTRY

HOSPITALITY

The outlook for the hospitality industry this year is optimistic, although there are plenty of changes and challenges for hotel and restaurant operators to manage.

Industry data indicates that the domestic lodging sector could reach occupancy rates not seen since 1984. And revenue per available room (RevPar), which is an important lodging metric that provides a glimpse at how well a facility is being run, is on the rise. Daily average room rates are expected to increase, as are RevPar rates, with an increase of 7.1 percent compared with 2014 percentages.

Trends that Central Ohio hospitality experts are seeing include a greater **emphasis on the tools of technology**, and their effect on how operators interact with their customers and run the business' operations. For instance, social media can give **a whole new meaning to word-of-mouth advertising**, while expectations among younger customers are forcing a cultural shift in how restaurants and dining are defined.

In the Columbus region, there are more dining options for the consumer – from traditional fare to the explosion in new experiences brought about by the emergence of food trucks. But like other industries, hospitality businesses are **faced with increased regulations, increased healthcare costs** and the challenge of employing and retaining a quality workforce.



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REFRAMING THE SERVICE EXPERIENCE



Janet Boissy
Indus Hotel

Social media is the key but **it is a double-edged sword because it can help or hinder you**. We use social media for PR purposes, to recognize staff and to reach out to guests and solicit their feedback on what they liked or didn't like. On the flip side, we don't sell through social media because that's what people have told us they dislike intensely. The critical factor we've learned is the value in responding to social media inquiries from guests or potential guests. Regardless of whether they reached out to praise or complain, if you fail to respond, it will come back and bite you. Our staff includes young college students and they are social media gurus; you can learn a lot from them.



Nathan Wood
The Westin Columbus

Working and managing different age groups is very different because there are different motivators. Some are right out of college and expect vacation immediately after being hired. There is a different philosophy compared with other professionals. While you must learn to connect with our guests, it's equally **important to connect with our employees** and understand how they can utilize social media to connect with and reach out to others. Social media is everywhere, allowing anybody to upload anywhere and everywhere. It can be a valuable resource, as well as a not-so-fun thing.



Scott Heimlich
Barcelona Restaurant

Restaurants are reaching a point where expectations and service are becoming a real balancing act. My restaurant is considered upscale, but I'd like to think we should be more casual so we could attract those folks who live in the neighborhood. Our clientele is varied. Some clients are of a certain age and expect a certain type of service that is more formal and who enjoy that interaction with staff at the table. **Younger generations are foodies and know what good food is, but they look at service very differently**. They want flashy, new, trendy and the social media interaction. Their expectations are different, and more often than not they move from restaurant to restaurant, where their parents might have been loyal to a particular restaurant for decades. I have owned this 18-year-old restaurant for 13 of those years, and that's pushing it in this industry. By that I mean, we've moved into that senior group of establishments. So for

REFRAMING THE SERVICE EXPERIENCE

Barcelona to thrive, I must keep it edgy and new enough to meet the expectations of that younger generation—as far as food and service goes – and still ensure I’m upholding the same expectations of my older clientele who have been coming here since the restaurant opened.



Barry Young
Columbus State
Community College

From an educational standpoint, **if you don’t keep the younger generation’s attention, they’ll move on to the next thing in five minutes.**



Larry Mench
Tim Hortons USA, Inc.

The industry is always changing, but it boils down to the people. We are in it because of the people aspect, and when you find out what motivates them and then deliver what they need, they will respond. That works on the employee side and as well on the guest side. We don’t talk about defining service expectations, because everyone’s expectations are different. We set high standards and cast a wide net over many expectations. **Consumers will vote with their wallets,** which is why we pay such close attention to those expectations. The competitive landscape in the U.S. is very different than in Canada, where Tim Hortons controls 80 percent of the coffee business. They can do anything and it most likely would work because of that fact. Whereas any little tweak we make can challenge our ROI.

TRAINING & ENGAGEMENT ARE KEY



Larry Mench
Tim Hortons USA, Inc.

When you're a national brand like Tim Hortons, consistency is critical. Consistency for us is driven by very strict procedures and standards. We teach procedures in a gamification way, via video and an online training center, for instance. We challenge employees to learn our culture, what the brand is about, how it evolved and then challenge them further to use their creativity in delivering those procedures in their own personal way. That is a challenge because everybody is different. Managers, leaders and franchise owners provide employees with engagement surveys to ascertain what motivates each individual, and then deliver that to them. We have an entire committee in charge of employee engagement. As a franchise group, we are 99.9 percent franchise-owned and each franchisee chooses what benefits to provide their staff. We try to share best practices as best we can. Money can be a great motivator for franchisees. But when we attach cash to turnover or retention numbers, we focus on the retention not the turnover. **There are no actionable steps with turnover; it just happens.** Retaining employees takes more skill and actionable steps. The franchisee has to interact with all team members and be engaged. So when we attach dollars to that, it becomes meaningful.



Larry Clark
Made From Scratch

Catering is the most grueling aspect of food service. We work outside a lot in all types of weather. We deal with social clients for weddings and we have corporate clients as well. The hats for each change, and we market to each of them differently. It is a mixed and varied bag and you must embrace the reality that change is constant. Just as an example, following the 2008 financial implosion, our corporate customers disappeared for about three years. We used to reap 20 percent of our yearly volume in December in just 20 days. In 2008, we did \$1.5 million in December, and in 2009 we did \$125,000. So it's important that your staff handles change well; it is something I preach throughout my corporation. It's about ensuring you have the ability to find good employees and have the right style. I have staff that work full-time all year and I have staff that work one or two jobs a year. They all go through training and go through our system to have consistency, but **catering is not for the faint of heart.**

TRAINING & ENGAGEMENT ARE KEY



Scott Heimlich
Barcelona Restaurant

Catering is a different beast. It is a very different workforce compared with those who work in the restaurant itself. In the restaurant you have dedicated staff and, for most of the time, it is their sole job. On the catering side, the employee isn't on a set schedule and doesn't know if he will work seven days a week, or two, or none. So the question becomes, how do you train them? How do you transfer some of the components of our inside restaurant culture over into catering? **What do you teach and what do you tolerate?** We are still learning that. Overall, we focus on solid hiring practices and retention of our employees because turnover costs money. Our training is eight to nine days before someone is let loose in the dining area. It starts from when they fill out an application through the interview process to their first day of orientation. Along the way, we are judging and evaluating them to ensure they're a good fit. I've been very blessed with my staff, whose ages range from 18 into the 50s with an average of six years working, although some have been with me from the beginning. We really try to keep them for as long as we can.



Nathan Wood
The Westin Columbus

If we are not showing genuine interest in our own people, they are not going to show that genuine interest in our guests. Hiring the right people for hospitality is quite different from other venues because of the variety of jobs that must be filled. We are working with multiple skill sets. We could be looking at housekeepers to front desk clerks that might be students at local universities aiming to continue a career in hospitality management. There are some variations in the process. Some applying for manager or leadership roles must take personality tests. However, everybody must complete our service culture training, which is a year-long process. **Employees must know what the hotel brand amenities and differentiators are** because their interaction with the guests might not just be at a restaurant. It might be that the housekeeper is asked where the fitness center is located and what its hours are. It is all about making those connections and finding out what our guests are passionate about. There is a huge amount of training that is based on that information because we have to be just as interested in our associates as we are our guests.

TRAINING & ENGAGEMENT ARE KEY



Bob Kramer
Food Fort Columbus, ECDI

Engage employees early on and make sure they believe what you believe. Provide food safety/quality training and teach them every aspect of the business. For the people who use our food incubator facility, we tell them keeping employees trained and informed is so important because it's their money going into this business, and it is their brand and face on their product. They have to have a certain philosophy of how they are going to work. Hopefully, they will hire employees who share the same philosophy.

TECHNOLOGY-ENHANCED INDUSTRY



Larry Mench
Tim Hortons USA, Inc.

There is so much going on with technology, and it is a sweaty run just to keep up with it. The millennials savor it and it's the future. It is our base for the next 50 years, so we have to embrace it. **The newest thing is the geotracking that electronically tracks our guests** – if they come within a certain radius of our restaurants, their phone will receive a coupon that hopefully steers them to us. A fuel company along Route 23 does it and each time I drive up to Michigan, I receive coupon through my phone right near Holland. So I pull off there, drive into the gas station and get whatever the coupon is for plus some impulse buys, because that is the whole point of it. If you are not in the technology game, you are behind the eight ball. We have a new Universal Point of Service that lets our franchise owners get real-time data over their phones – sales, labor, true cost, and mixed – allowing them to run the business remotely or multiple businesses simultaneously.



Barry Young
Columbus State
Community College

As far as training goes, technology lets the employee or business do so much. People can track inventory of what they're selling at a given moment. Some sports stadiums can switch out one item for another that isn't selling, and instantly deliver coupons for it to smartphones. Surprisingly, **there are even online cooking schools**. It's that advanced. But it's a constant challenge to keep up with changes in technology that come at such a rapid pace, it seems.

TECHNOLOGY-ENHANCED INDUSTRY



Janet Boissy
Indus Hotels

To thrive today, you had better have a good grasp on technology and the tools that are used. Our guests are very tech-savvy. Many of our guests work in the technology sector. For us, that means we need increased bandwidth. Hilton's tech efforts recognize the importance of technology. For instance, Hilton Honors members can digitally select their own room at check-in, much like a person selects their own seat on a plane. There is technology out there that lets you use your smartphone as the room key.



Nathan Wood
The Westin Columbus

Technology is key, in the near future it will be possible for a Starwood Hotel to use an SPG App to know location and provide coupons to the hotel's partners, like a Starbucks or New Balance. Today, you can travel worldwide with a Starwood Hotel and your profile is kept there with any hotel you are checking in. **We know your preferences.** If you request a room facing east, that goes into the profile and bam, the next time we attempt to provide you with an east-facing room. We have a guest that stays at the hotel each week, and I know she likes green apples. I'm not going to send red apples up to her room. I know that she wants one every day of her stay, so I make sure I have enough green apples for her entire stay and I make sure they are in her room by the time she gets there. Tech services, so to speak, are becoming more of an expectation in the guest's eye.

TECHNOLOGY-ENHANCED INDUSTRY



Scott Heimlich
Barcelona Restaurant

Make sure you do it well, because you'll get called out more if you do something like social media poorly versus doing nothing at all. **It's tough keeping up with everything that is out there, but it's a necessity and it can work well.** We were one of the first restaurants in Columbus to sign up for Open Table about eight years ago and now it's international. Almost immediately we saw that people were making reservations outside the hours when we were open. I can't have someone man a phone 24/7, but they were making reservations before 10 a.m. and after 10 p.m., and the reservations were time stamped. It made a tremendous difference to the restaurant. It is expensive and the fee I pay goes up each year, but it would cost me if I dropped it. Sometimes it's a hazard as well. Once, when our system went down, we brought out one of the credit card sliders. Remember them? Half the service staff asked what to do with them. You are really in trouble because that is old school.



Gina Kramer
Savour Food Safety
International

Technology plays a major role in food safety, which must be performed by everyone and documented by the restaurant and hospitality industry. The advances in technology in the food safety world really change how to track food that might be contaminated, how it is recalled, how to pinpoint outbreaks that may occur. Anymore, they use social media to identify outbreaks – general conversations on Facebook and Trip Advisor – and pull all those conversations together. Public health officials have changed the way that they view food safety and how they work with industry. Restaurants and the hospitality industry have to look at technology to help them because more documentation is required from them.

CUSTOMER SERVICE IS THE BOTTOM LINE



Bob Kramer

Food Fort Columbus,
ECDI

We saw an explosion with food trucks starting in 2008, and it demonstrated that customers want a leisurely experience and have their food come to them versus sitting down in the traditional restaurant setting. What I noticed travelling across the U.S. is that food truck operators and owners were butting heads with the brick-and-mortar restaurants. That's not the atmosphere that we want to hear. Before starting Food Fort, we reached out to the Central Ohio Restaurant Association and said we need to work together as an association and an industry. We are all about small businesses. Food trucks create quite a buzz in communities, and that's good, but we want it to work with brick and mortars as well and create a buzz among customers overall so we can all benefit. The association was very responsive to that and worked to help convince City Council to let food trucks deliver their products downtown. Council created 18 spots downtown where food trucks can park and sell from the street.



Larry Mench

Tim Hortons USA, Inc.

Your volume tomorrow depends on your operations today. That was sort of the operating motto at Five Guys Burgers and Fries, for whom I worked beginning in 2008 when there were only 180 restaurants in the U.S; today it's more than 1,000. Five Guys is unique because there's no advertising, no couponing and no discounting, and so customer service relied on the soft skills. We were very much making eye contact with guests, smiling and thanking each one to make sure they had a good time. We never asked if the food was okay because that sounds like an assumption that we aren't quite sure. Instead, we asked if they had a good time. If they did, we knew they were coming back. I brought a little bit of that experience to Tim Hortons in making sure that we do smile, make eye contact and thank the customer. Although we monitor all the social media and look for feedback on surveys and comment cards, the surest test is how that person feels when they leave your drive-thru or walk out the front door.

CUSTOMER SERVICE IS THE BOTTOM LINE



Larry Clark
Made From Scratch

I tell my staff that it's not the one big thing we do; it's the sum of all the small things we do. Particularly in our industry, there is the night of the event, and it is all about communication and about all the things we demonstrate before the event, such as getting all the touches ready and then demonstrating our competency. **We also follow up the event with either a survey or usually a hand-written note that goes out.** We think those are the things that help with instilling loyalty in our customer base.



Janet Boissy
Indus Hotels

Paying attention to a market can go a long way in securing a strong customer base. I read the business newspapers to find out who is on the rise, what companies are merging and those to watch down the road. **Mergers are very important to me; it tells me who my client is going to be six months from now.** It tells me what travel manager I am going to be dealing with this month because the stock market went up 200 points in the morning. I have the app on my phone because if stocks rise, companies will be spending. The first thing businesses will cut is travel, so we pay a lot of attention to that. All that matters, but in the end, if we provide an unsatisfying stay for the individual, it can really hurt. I can negotiate room rates with travel managers at an American Express or IBM, but if their employee has a bad experience, he's going to let them know. That comes right back up to me and I could lose you – and I don't lose just you, I may lose 200 travelers. They may move all of their business to across the street. They will do it for logical reasons because rate is not the top priority.

ABOUT **CLARK SCHAEFER HACKETT**

OUR FIRM Founded in 1938, Clark Schaefer Hackett is one of the 65 largest CPA and advisory firms in the U.S. We offer best-in-class technical expertise in audit and assurance, risk management, benefit plan consulting, forensic and litigation support, valuation and transaction services. We combine the insights and ideas of multiple disciplines to provide solutions in a wide range of industries, including manufacturing, construction and real estate, distribution, healthcare, financial services, as well as government entities, higher education institutions and not-for-profit organizations.

INDUSTRY SPECIALIZATION We align resources by industry to better serve the needs of our clientele. Specialization permits us to develop deep knowledge of the issues facing our clients and to anticipate needs based on our understanding of industry trends. We select a team that best fits the needs of the client from our strong bench of firmwide industry specialists.

RELATIONSHIPS MATTER We believe that doing the work and serving the client are not necessarily the same thing. One is about a talent for numbers, the other is about interacting with people. At CSH, relationships matter, and we believe that creating a supportive, helpful, working relationship is perhaps the most valuable talent we can offer.

LEARN MORE AT **WWW.CSHCO.COM**.



CSH AROUND THE TABLE

HOSPITALITY



ED WALSH

Shareholder

ewalsh@cshco.com

Ed is the Shareholder-in-Charge of the firm's Columbus office. Upon graduating from the University of Notre Dame, Ed joined an international accounting firm. He joined CSH in 1985 and has assisted in the significant growth of the Columbus office. Ed works with closely held businesses. He has extensive experience with business start-up issues, mergers and acquisitions, as well as auditing and taxation for these clients.



JOHN VENTURELLA

Shareholder

jventurella@cshco.com

John chairs the firm's Tax Group and serves as a tax advisor to businesses from \$100 million, multi-national corporations to closely held and family-owned companies. He assists clients with federal, state and local tax issues including mergers and acquisitions and complex transactional tax matters. John is a specialist in the tax advisory needs of high-net-worth individuals.



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