

# A CHIPP Off the Old Block

## Innovative approach marries hotels with suitable restaurants

*At long last, someone came up with the bright idea of matching two businesses that go together like bed and breakfast: hotels and branded restaurants.*

By Nancy Weingartner

**N**ews flash: Diners like branded restaurants, especially when they're away from home. But don't take our word for it. Nick Vojnovic, president of Beef O'Brady's, a family-oriented sports concept, has monetary proof.

When a Beef O'Brady's went into the abandoned restaurant space in a Best Western in Florida, sales were 100 percent higher than the previous no-name tenant. And this was not a one-night stand—it was the second hotel location for Beef's that had yielded identical results. The 250-unit chain now has restaurants in four hotel properties, with two more deals waiting to be closed at press time.

Hotels are in the lodging, not restaurant business, and yet guests expect food and beverage under the same roof. The beauty of a branded restaurant, Vojnovic says, is that it not only impresses guests, but it attracts nearby residents who would never consider dining at the hotel's non-branded restaurant.

"I was just at a Marriott with a generic hotel restaurant, there were five people in the restaurant," he says. "Independents can't compete."

Beef O'Brady's was the beta test for a new program called The Chain Restaurant & Hotel Industry Partnership Program, or CHIIP for short. David Mansbach, co-president for HVS Executive Search, had been investigating pairing the two sides of the hospitality industry for a number of years. It was an original idea several people had at the same time, including Vojnovic. When Mansbach took the idea and ran with it, Vojnovic had no sour grapes. "We all throw out thousands of ideas in our lives and how often does someone like David come along (to take it to fruition) and then bring in someone like Jeff Kolton?"

Mansbach knows the hospitality industry intimately, while Kolton knows innovation. Kolton started his career practicing law; founded FRANdata, the franchise source for research, which he sold in 2001; and now consults with a variety of franchise clients, not to mention being a sommelier in his own right.

"Most hotels don't want anything to do with food and beverages," Vojnovic says. And the



**Branded restaurants provide** travelers with a safe bet when they're away from home.

beauty for the restaurant operator is that they can get into the space for significantly less money. "They have bathrooms, big kitchens, walk-ins ... they just need cosmetic (upgrades)," he says of hotel restaurant spaces. In an economy where loans are hard to come by, doing less with more is a boon.

Joyce Mazero, an attorney with Haynes and Boone who helped structure the joint venture between HVS and Kolton's Franchise Market Ventures, describes it as a Match.com for restaurant chains and hotels. Since both Kolton and HVS were working separately on similar projects to this end, they know the value of two known-entities teaming up with each other.

"From the operational side, we saw that food and beverages account for 95 percent of the headaches and just 5 percent of the revenues," Mansbach says. There are more than 30,000 hotel properties in the U.S., most of which offer restaurant options, and in the case of franchised properties, the need for those options are often mandated by the franchisor. The choice of what kind of restaurant to offer, however, is left up to the franchisee in the majority of cases, since each market is different.

### Make me a match

CHIIP presents the hotel a portfolio of brands, one per segment—for instance, one high-end coffee concept, one Italian, one

fast-casual burger chain. "We're taking the executive search process, I've established over 15 years and have 'restaurants' as the customer," he explains.

Restaurant franchisors don't have to go through the courting process since both sides have been analyzed and categorized. "You're coming together as parties that have already been vetted," Mazero says. "It sets the table so all the parties have to do is start to talk. There's no hanging out in the bar, you go straight to dinner." No more kissing frogs, she quips.

Hoteliers and restaurateurs speak different languages, Kolton contends. CHIIP translates; bridging the gap between what each party wants to get out of the deal.

CHIIP's value, Kolton says, is that it does all the legwork for franchisors on both sides of deal. HVS has deep relationships in both restaurants and hotels. Its parent company does feasibility studies, as well as appraisals on thousands of domestic hotels. "You can't compare it to anything in the industry," Mansbach says.

In the beta test with Beef O'Brady's, they learned that marrying the two entities successfully could be tricky if the due diligence wasn't done. Just like in traditional marriages, you don't want one partner marrying too far above his station in life—for instance putting a high-end steakhouse in a \$49 a night motel. But unlike traditional marriages, it's OK to

have more than one partner per hotel, as long as each concept serves a different need.

Franchise agreements—not all the restaurants have to be franchises, some may be celebrity chef enterprises—can also be complicated. Do you find a franchisee, become a franchisee, hire a professional management firm or let the franchisor run the food service? What dayparts do you need to cover—and what kinds of food and beverage concepts are absent in your area of town so the locals will show up at your door? Is there a separate entrance?

The portfolio—Kolton estimates they will have 22 to 25 segments covered when fleshed out—has enough variety to cover most, if not all, situations. For instance, if the hotel only has room for one restaurant, but still needs a breakfast component, a Dunkin' Donuts kiosk in the lobby could be the answer. In Beef O'Brady's case, the family sports bar concept has taken on the added responsibilities of catering events at the hotel and serving breakfast.

While doing their research on the project, Kolton and Mansbach put together an advisory board of top advisors, including Mazero and—in the interest of full disclosure—John Hamburger, president of the Franchise Times

Corp. and the owner of the Restaurant Finance & Development Conference. Two other partners in CHIPP are Steve Rushmore, president and founder of HVS (an international hospitality consultancy), and Keith Kefgen, HVS Executive Search's CEO.

There is a cost, of course: a monthly fee for being in the portfolio, but to date, there's been no shortage of takers, Kolton says. Some of the concepts onboard by presstime include Coffee Bean & Tea Leaf, Steak & Ale, Dunkin' Donuts and Southern Hospitality, a restaurant concept that boy-band rocker, Justin Timberlake is an investor with.

“That's an example of the level we're attracting,” Kolton says.

In an economy where there's more frogs than princes, restaurants and hotels can only hope for a matchmaker who can make them a match. [ET](#)

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