

# REINVENTING STRATEGIES

*Hotel News ME gathered a group of F&B managers and directors to discuss how having less restaurants within a hotel makes more sense than ever, and the ways in which standalone restaurants are posing challenges never seen before within the industry*

WORDS SOPHIA SOLTANI

IN ASSOCIATION WITH



## The Hoteliers



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This month, Hotel News ME in association with Rikan General Trading, gathered a group of F&B professionals at The Westin Dubai Mina Seyahi Beach Resort & Marina to discuss how the rise of independent restaurants are challenging the F&B outlets within hotels more than ever and what the professionals within these outlets are doing to secure their place in the dining scene across the region.

**How much of the hotels revenue would you say comes from the F&B outlets and why?**

**Metzger:** Personally speaking we have 14 restaurants and bars, with one as a major bar and contributes quite significantly to our revenue, so these outlets are just as important as the rooms are. So in our case, I would say around 40%, obviously we put a lot of emphasis on keeping the F&B outlets up-to-date, but it is safe to say that the rooms don't always necessarily contribute to the revenue within the F&B outlets as we have a large following of people who come to the hotel just for the restaurants

and especially the brunches we offer here at the Westin.

**Thapa:** I think in terms of revenue, when you compare how much a room brings in compared to an F&B outlet within the hotel, it depends largely on what type of hotel you are running and I completely understand the resort aspect, but for example, when you go to a business hotel like ours and you have five or six dining options within the property the percentage of the food and beverage revenue can equate to around 30-35% maximum because this is a different platform in terms of the hotels positioning due to it being a

business kind of hotel, so a resort always comes a little stronger with their F&B revenue intake.

**Galea:** Well we are a business hotel, and our dining outlets amount to at least 50% of our revenue, if you talk about capture rate and you look at the Middle East as a region compared to anywhere else in the world, F&B is very, very strong, and it is driven by one thing, beverage.

Beverage drives F&B in the Middle East, competition is rough and trying to focus on your capture rate is paramount to your success trying to get the proper concepts in, venues that do not compete with

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each other and create USPs within your hotel, this drives the revenue. I say this as an ex executive chef, so instead of spending three days in the kitchen preparing one dish that generates 75DHS as opposed to opening a beverage that produces 50DHS per serving, you have to look at the facts and see where your revenue is coming from. So when you look at beverage driven venues, their revenue is higher, their labour costs are lower and their productivity is higher, so as far as revenue goes, it allows an outlet to compete with room revenue to a certain degree.

**O'Leary:** I think it is changing a bit, I've

spent a lot of time in London and in the UK, and there people spend as much time as possible trying to avoid eating in the restaurants within hotels, whereas here you don't really have a choice as far as licensed venues go. But now the market is beginning to change, and you have the likes of Pier 7 popping up and DIFC upping its game, so our strategy going forward is to certainly look at having less F&B outlets within our hotel, we have 12 that we run and one that we lease, and I don't think that this model will continue to run with so many licensed outside and stand alone venues popping up. So overall our F&B outlets generate around 30% of

our revenue and our banquets add on another 20%.

**Leon:** I would say for us it is slightly different being located on the Palm, so we have quite a large hotel which is a slight distance away from other outlets, which benefits us as it encourages our guests to dine in-house and I would say the F&B outlets account for approximately 50% of our overall revenue. We have ten different outlets, I also agree with O'Leary that the model of having so many different restaurants in one hotel will begin to fade out due to the competition, at present we have 10 and it works in our favour.

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*Apart from decreasing the amount of restaurants within a hotel, what other challenges are faced and how can they be overcome?*

**O’Leary:** The quality is changing drastically I think that it was enough just to have the outlets for a long time and now you have some great concepts arriving some great operators setting up it forces the quality to increase, so this links can also lead to the downsizing of outlets. By reducing the number of restaurants you can focus more on the quality of the few you do have.

**Leon:** For example, we have a Turkish restaurant and when we opened there were only around 2 or 3 Turkish restaurants in the whole city, now you go to Jumeirah Beach there are about twenty.

So people are looking for new outlets and new concepts, in the city there are

also new areas that people are talking about and DIFC is one of them, DIFC is coming up stronger than ever. So trying to fill 200-300 covers within the hotel is getting a bit more challenging.

**Metzger:** I think the challenge that we have in Dubai is that we are living in a city that is literally growing under our feet, which is something that you don’t get in other countries as they have been established for hundreds of years. I have been here for 8 years in Dubai, and when I first arrived you didn’t have any other choice but to dine in a hotel restaurant if you wanted to go out and socialise, and previously people didn’t trust the small independent outlets based on the quality, so everyone was very cautious, you didn’t know if the quality was going to justify the risk of not knowing what you were going to get, but now it is a completely different case, the smaller outlets are

becoming more favourable, even if they don’t serve alcoholic beverages they have really secured their place within the market as small, independent stand alones. Additionally, people are also becoming more cost conscious, so the mentality has changed drastically, why does someone want to spend 100DHS on a pizza in our Italian when they can buy four pizzas at that price from a standalone.

**Galea:** For me it is about quality and creating USPs within your venue, but moving away from food halls and creating boutique restaurants, concentrating on average check quality, creating a feel in your venues which makes you feel that you are not actually in a hotel, I think that none of us actually like eating in hotel venues and we all strive as operators not to have a hotel feel in our restaurants yet we are all guilty of doing it in one form or another.



Left to right:  
Galea, Thapa,  
Shawesh,  
Metzger

**“SOCIAL MEDIA HAS TAKEN HOLD OF SOCIETY, SO AS AN F&B MANAGER OR AN F&B DIRECTOR YOU HAVE TO SUDDENLY CONSIDER A BAD REVIEW ON TRIP ADVISOR, NOT JUST FOR THE HOTEL BUT FOR YOUR RESTAURANT TOO” – THAPA**

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The F&B managers respond to the input of the group



If you look at Abu Dhabi as a market for the population and tourism, it is completely oversaturated as a market and we as hoteliers then over saturate our hotels with venues. It is also about looking at concepts that don't clash and don't compete. Am I a fan of 10 venues, I am and I'm not, so I don't believe that if you have 10 venues, that all 10 should be open for lunch and for dinner, then what you are able to do is offer variety, control your costs, and your labour, plus you are able to ferry your guests and your sleepers into where they should be dining. Then that allows you the scope of having a multi-dimensional F&B structure, but it is controlled and that is what we are trying to do in 2015.

**Shawesh:** I agree, because the saturation within your dining outlets also has a significant amount to do with your location. For example, we just opened up Pullman Hotel in JLT.

Now the business within that area is lunch, so after 6 to 7pm you hardly see anyone walking around that area unless you are lucky enough to be located in a residential area of JLT it is unlikely you will attract a mass of people in to eat around dinner time.

So it is a completely valid point to say that not every F&B outlet within your hotel should be open for both lunch and dinner, due to our location we are trying to push business lunches and beverage driven revenue in the evenings.

**Nuenemann:** To add another challenge to the table, as a hotel based around a mall [Kempinski Mall of the Emirates] and of course a couple of years ago this area was less developed, there were not many other hotels around and so we were the lucky ones being attached to the mall and at that time it was a huge advantage. We were driving people in from the mall into our restaurants, they were easily accessible without much competition, now things have drastically changed and we now have serious competition especially with the new three and four star hotels popping up around the area, they are also providing good F&B with the liquor licence, therefore we have really adjusted our F&B to focus more on quality as you

**“DIFC IS COMING UP STRONGER THAN EVER. SO TRYING TO FILL 200-300 COVERS WITHIN THE HOTEL IS GETTING A BIT MORE CHALLENGING” – LEON**

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Leon engages in conversation with Nuenemann and O'Leary

you cannot compete with everybody, this is an impossible task considering there are more than 100 outlets within the mall now. So here with us, the key lies that we are driving the revenue forward with our beverage selection.

*Having touched upon the challenges, how would you say the F&B industry has changed over the past five years across the region?*

**Nuenemann:** Most definitely the standards in quality has changed, clients are getting more demanding and other outlets are becoming more competitive, so what we see in Europe, is people are not in the habit of going to a hotel just for a restaurant except

for a super famous chef that is making an appearance and this culture is starting to latch on in Dubai, especially with the freestanding restaurants popping up across the region.

**Leon:** I would say that there has been a move to more branded restaurants, consumers are becoming more aware as to what brands are out there and they identify themselves within a category of restaurant.

**Metzger:** We must also be mindful and address the fact that Dubai is very much about the newest, the biggest and the best outlets in town. The whole culture and society is built upon appearances, the latest trends and being so new, Dubai is still adapting to its own self. One of the advantages that the

standalone restaurants benefit from that we, as hoteliers do not, is that there has never been a premeditated standard to adhere to. They have the flexibility of creating their own identity.

Additionally, they also have unlimited capital from the investors so they are able to build a restaurant to appear overly attractive in appearances and focus on the aesthetic look of it but not necessary focus on the refinement of the service or quality of the food, so this alone pushes people through the doors of their restaurants. The problem that we then have from a hotel restaurants perspective is that we do not always have the capital to renew ourselves or do something different because we are tied from so many different angles.

**“NOT EVERY F&B OUTLET WITHIN YOUR HOTEL SHOULD BE OPEN FOR BOTH LUNCH AND DINNER, DUE TO OUR LOCATION WE ARE TRYING TO PUSH BUSINESS LUNCHESS AND BEVERAGE DRIVEN REVENUE IN THE EVENINGS” – SHAWESH**

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**Galea:** The pressure has most definitely increased over the past five years, in relation to the fact that an independent outlet does not need to worry about upsetting its guest as much as we do within our outlets, this is because the critics can often be guests within the hotel and upsetting them can be detrimental to bookings which can subsequently lead to a revenue decrease from other parts of your hotel.

Another key factor that has changed the industry is pop culture in Dubai and Abu Dhabi, it is almost like Japan in the 80's except now whatever is hot for the next 38 seconds and is up on Instagram or trending on Twitter has to be looked at and taken seriously within the F&B outlets in our hotels.

**Nuenemann:** We could also learn a lot from the independent restaurants, but as Monica also mentioned, we don't always have the luxury of throwing money into a quirky concept or refurbishing so our F&B outlets are also somewhat of an amenity within the hotels, as what you generate from rooms you can also generate from your dining options, so they can balance each other out, but this also means that whatever revenue comes in from your restaurants do not always stay within your restaurants.

This then hosts the problem of staff, as the pressure is often more intense within a hotel, and so when the revenue is split between sectors of the hotel, we cannot always afford to offer extortionate salaries to our staff, so the independent restaurants come in, offer them double and we are left at a loss once again.

The majority of good staff that you find in the independent restaurants have been trained and refined within hotels, the main reason the staff move on is due to pay.

**Thapa:** There are many more restrictions for hotels now as opposed to five years ago, legislation has changed the scope and direction of the outlets, and also social media has taken hold of society, so as an F&B manager or an F&B director you have to suddenly consider a bad review on Trip Advisor, not just for the hotel but for your restaurant too.

We must keep up to date with trends and train our staff better in order to service our guests to the highest standard possible and this can often stretch your resources hence the high turnover of staff within the hospitality sector.

**Shawesh:** Restaurants have to be well maintained for sure, but not always refurbished, if it has been good for a set amount of years, don't change it if it works and that is what people are expecting.

**How often does a restaurant need to be refurbished or reinvented to stay fresh within the competition?**

**O'Leary:** Depending on how good it already is, for example so many restau-

rants haven't been changed or touched for over 20 years plus, because the outlet represents everything it is supposed to and that is the experience that the customer is expecting to receive. On the other hand you have restaurants that open within a year and then find it necessary to try and reinvent themselves or so to speak refresh themselves within the market having only been around for 12 months or so.

**Galea:** I think that you have to be very careful with regards to change. If you have a concept that has created its own brand and you have an existing following, for the want of refurbishing you can actually do damage to your venue.

We have an Irish pub, which was the first Irish pub in Abu Dhabi and by no means is it in line with the rest of the hotel and that's putting it politely.

Now this Irish pub has outperformed four newly opened restaurants within the hotel and has its own cult following, going to prove an F&B venue within a hotel can build its own brand and be a strong brand at that without having to fabricate on the foundations of glossy interiors.



Rikan distributes gift bags at the end of the discussion