

NATION'S Restaurant

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

PERIODICALS

Vol. 38, No. 16

PUBLISHED EVERY MONDAY • A LEBHAR-FRIEDMAN® PUBLICATION • \$5 PER ISSUE • <http://www.nrn.com>

APRIL 19, 2004

Operators tip hat to practice of holding gratuities until payday

Say monetary advantages add up when waiting

By Dina Berta

At the end of server Doug Hawkins' shift at the Floataway Café in Atlanta, he doesn't walk out with a wad of cash in his pocket from tips that he made — even on good nights. Instead, he has to wait for his weekly paycheck to bank his gratuities.

"I like it that way in the long run," said Hawkins, who has been a server for eight years, the last three at Floataway Café, a fine-dining Italian restaurant operated by chef-owner Anne Quatrano. "The main advantage I see is that my taxes are taken care of for April 15. I get a refund. It's easier than having to put money aside throughout the year."

While most operators continue to pay out tips in cash, some — enabled by the predominance of tipping by credit card — are breaking with tradition and adding tips to paychecks. The advantages are said to be numerous, from improving tip reporting for tax purposes to better managing tip pooling. In addition, they note (See **OPERATORS**, page 16)



Wendy's named Bill Moreton chief executive of Baja Fresh, replacing Greg Dollarhyde, who had been at the helm of the fast-casual Mexican chain for more than five years.

Baja Fresh seeks to spice up sales with new prexy, heated-up growth

By Amy Garber

THOUSAND OAKS, CALIF. — After posting a 4.6-percent drop in 2003 same-store sales, Baja Fresh Mexican Grill has a new leader charged with improving results at the 294-unit player in the competitive Mexican fast-casual segment.

The chain's parent, Wendy's International, recently named Bill Moreton, a former Panera Bread official, chief executive of Baja

Fresh to succeed Greg Dollarhyde, who had led the brand since 1998, when it had 45 units.

"This transition enables us to focus on Baja Fresh's goal of reaching 600 to 700 total restaurants by the end of 2008," Jack Schuessler, chairman and chief executive of Dublin, Ohio-based Wendy's, said in a statement.

Moreton, in his new position, will face such challenges as fine-

tuning Baja Fresh's complex operations and reducing service times that are longer than those of its key rival, Chipotle, observers said.

Moreton declined to comment on initial plans, but competition among the Mexican players in the fast-casual segment continues to heat up now that three of the largest concepts — (See **BAJA FRESH**, page 57)

Restaurateurs aim to feed kids' appetites for learning

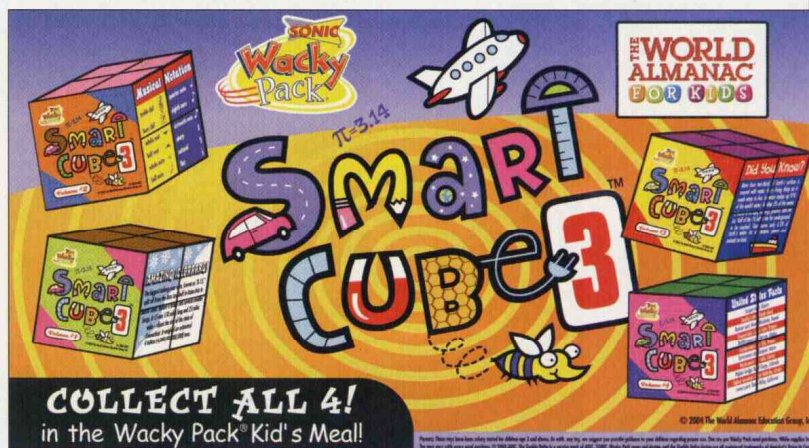
Industry rises to challenge of serving nutritional information and healthful food

By Ron Ruggless

Restaurant menus for kids are taking a decidedly strong shift to the educational, filling not only young customers' tummies but also their minds with nutritional and educational information.

From casual dining's Chili's Grill & Bar and Red Lobster to quick service's McDonald's and Sonic Drive-Ins, the restaurant industry quickly was rising to the call to provide nutritional menus as well as nutritional facts.

"Anything we can do to position ourselves where we are looked upon favorably by our consumers we certainly want to take advantage of," said Brian Kolodziej, vice president of culinary operations at Brinker International. That chain on April 1 (See **RESTAURATEURS**, page 57)



Sonic Drive-In offers Smart Cubes, featuring statistics and information. The cube has facts on each side, and kids can flip cubes open to discover trivia and tidbits of knowledge.

Going up: Lower Manhattan building toward recovery

Dining sales on the rise thanks to tourism, housing influx

By Erica Duecy

NEW YORK — While construction on the new World Trade Center complex remains years away,

Restaurants located near Ground Zero are reporting uneven but mostly positive sales results.

restaurateurs in Lower Manhattan's Financial District are adjusting their businesses to accommodate a slowly reviving customer base.

Many operators report a gradual improvement in sales despite the absence of more than 60,000

white-collar jobs since the terrorist attacks of Sept. 11, 2001. The operators attribute their gains to an increase in residential housing efforts, an upsurge in tourist activity and the return of some businesses to the area.

(See **GOING UP**, page 8)



SOURCE: ALLIANCE FOR DOWNTOWN NEW YORK, INC.

HUMAN RESOURCES

Operators tip hat to practice of holding gratuities until payday

(Continued from page 1)

safety and the ability to enhance servers' participation in benefits programs that require employee contributions, such as health care or retirement plans, as reasons for embracing the practice.

Quatrano, who also owns Bacchanalia with partner Clifford Harrison, decided to include tips in paychecks to help servers keep track of their tips and to avoid the pitfalls she had experienced early in her career as a server. She had worked for restaurants that failed to report all the tips, and one year ended up owing the Internal Revenue Service \$8,000.

"I'd say 60 percent of our servers are students working their way through school," Quatrano said. "The check that gets deposited in the bank goes a lot further than cash in their pockets every night."

The trend of including tips in paychecks is more common among fine-dining restaurants, where the majority of customers use credit cards. By including the tips with employees' wages, operators need less cash on hand in their restaurants.

Quatrano estimated that 90 percent to 94 percent of meals are paid with credit cards at both of her restaurants. The average check at Bacchanalia is \$88, and at Floataway Café it is \$47.

"Cash is minimal at both restaurants," she said. "By paying your staff this way, you don't have to have huge

amounts of cash on the premises, which is never a smart idea with the crime rate in this industry."

The Union Square Café in New York switched to pay-check tips 10 years ago after a bookkeeper, carrying cash to pay out servers' tips, was robbed on the street, said Paul Bolles-Beaven, director of human resources for the Union Square Hospitality Group. The change also made it easier for servers to participate in the company's benefit programs, he said.

He explained that in states with an earned tip credit, where a server's hourly wage is less than minimum wage, the more tips that are added to the paycheck, the greater the check and the more the server can contribute for payroll deductions. Without the tips being included, a server can end up with a "zero check," after taxes, reported tips and other deductions are taken out.

"From a financial point of view, we prefer it," Bolles-Beaven said. "We're able to offer more benefits and not chase down employees [for contributions] because they had a zero check."

Benefits are the driving reason why Montgomery Inn Inc., which operates three casual-dining restaurants in Cincinnati and Montgomery, Ohio, and northern Kentucky, began including servers' tips in paychecks in the early 1990s, said vice president Evan Andrews.

"We have all these programs available to our employees — hospitalization, dental, college classes, 401(k), pen-

sion," Andrews said. "For a 401(k), if you have a matching program, an employee has to have dollars in his account that we can deduct into the plan. It's easier for him to participate."

And although the Montgomery Inn restaurants have a check average of around \$27 for dinner, Andrews estimated credit-card payments account for about 80 percent of sales. But officials no longer spend an hour after closing to record everyone's credit-card tips and pay them out in cash.

Still, the switch to receiving tips in paychecks was a shock for some servers, Andrews recalled.

"I think once we got past the initial 90 days, it was fine," he said, adding that the restaurants have been able to retain many of their best employees.

It may be easier for a restaurant to include tips in paychecks as a standard procedure when it opens, rather than forcing servers to make the change, said Susie Southgate Fox, vice president of human resources for Chicago-based Lettuce Entertain You Enterprises.

Three of LEYE's fine-dining restaurants started out including tips in paychecks when they opened, Everest, Tru and Ambria, Southgate Fox said.

"Servers want to feel that cash at the end of the night," she said. "But when you hire people and explain this is the way it works, it's fine. They have a choice. Do they want to be a part of this, or don't they?"

Q&A

Well-designed kitchens good for business

Too often, when planning a new restaurant, owners spend most of their money and energy on the look and feel of the dining room, and the kitchen is almost an afterthought, said Scott Levine, a former chef turned design consultant. A well-designed kitchen, however, is good for business, not just by saving steps on production, but by improving the quality of the environment for the employees, he noted.

Levine knows kitchens, having worked as a chef in chain restaurants, fine-dining establishments and hotels. In his last job as an executive chef, he helped a Phoenix couple open their new restaurant. He not only hired staff and wrote menus but also designed a kitchen from the ground up, picking out the right equipment and planning the space to maximize the production process. The experience sparked his interest in design, and in 1998 Levine moved to Arlington, Va., and began his own restaurant design consulting business, FoodService Advocates LLC.

What makes a well-designed kitchen?

I think it starts with a mind-set from the owner's perspective of treating the kitchen as someone's workplace, rather than a production facility or factory. It's being aware of employees' happiness and workplace safety. It's providing something

for workers in the kitchen so they feel respected.

What should an owner provide?

Things like air conditioning, so the kitchen is comfortable. Employees are on their feet all day long, so there should be floor mats to cushion their feet. And they need places to sit down and have a meal and take a break without standing in the back, where the dumpsters are.

People worry about the cost of turnover and the difficulty in training. If you want to retain employees, you have to do what you can to keep them. One way is by providing a professional environment for them. Restaurant managers press me with this same issue — how can they use the design in the kitchen to increase the potential to retain good employees?

What are some common mistakes you see in kitchen design?

Shelving that is too high or not easily accessible, having blind corners and potential areas for accidents and cross traffic and having equipment and workstations that are difficult to clean. Ergonomics, workplace safety and sanitation are very important factors of design and should be factored into the equation, along with process flow and equipment-selection decisions.

— Dina Berta



Scott Levine

NEWS DIGESTS

EEOC files discrimination suit against Hudson Valley BK franchisees

WHITE PLAINS, N.Y. — The U.S. Equal Employment Opportunity Commission filed a discrimination suit against Hudson Valley area Burger King franchisees on behalf of four Middle Eastern employees who alleged that they were fired because of their race.

Representatives of the franchise companies, Quick Quality Restaurant Inc. and Candu Management Inc., could not be reached for comment at press time. The companies are co-owners of five Burger King restaurants in the New York towns of Fishkill, Yonkers, Scarsdale, Elmsford and Yorktown Heights.

According to the EEOC, which filed the suit in U.S. District Court for the Southern District of New York here, in October 2002 one of the owners terminated three workers of Jordanian birth or ancestry and one Palestinian at the Fishkill store. He allegedly accused them of cheating and stealing and made a derogatory remark about their ethnic backgrounds. The EEOC claims there was no evidence of theft.

WFF hires administrative staff for Chicago headquarters office

CHICAGO — The Women's Foodservice Forum hired a full-time administrative staff that will establish the association's new headquarters here beginning in May.

Ellen Moore, a former senior vice president of the National Restaurant Association Educational Foundation, was named the new executive director for the WFF. She most recently was director of training at Sweet Traditions LLC, a Krispy Kreme franchisee with stores in Illinois and Missouri.

Christine Melendes was appointed operations manager, and Dawn Harris was named marketing director.

Food handlers certified online with OREF testing program

WILSONVILLE, ORE. — Nearly 4,500 foodservice workers have received their food handler certification through an online testing program sponsored by the Oregon Restaurant Education Foundation, and more than 20,000 employees have completed their testing online since the program's inception in April 2002.

Food handlers in Oregon are required to complete an exam through their county offices or other state-approved providers. OREF, contracted by the state to certify workers throughout the state, began looking for ways to streamline the testing process when it started offering Food Handler Certificates by Mail in 2001. The online food handler program can be reached through OREF's Web site at www.OREFoundation.org. The cost is \$10 per certificate.

Human resource items may be sent to Dina Berta, Nation's Restaurant News, 2266 Ivy St., Denver, CO 80207, or e-mailed to dberta@nrm.com. Or they may be faxed to (303) 333-1867.

<http://www.nrm.com>

Copyright of Nation's Restaurant News is the property of Lebhar - Friedman Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.