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EXCLUSIVE

The Economics Behind Hotel-F&B Tie Ups

By [Jennifer LeClaire](#) | Miami



"Owners are giving these third-party providers the "keys" to the F&B kingdom," says attorney Ari Tenzer.

MIAMI—Have you noticed more **hotels** are partnering with third-party food and beverage providers who, in turn, provide room service, banquet catering and other amenities to hotel guests? **Ari Tenzer**, founder of boutique transactional law firm **Tenzer PLLC**, has his fingers on the pulse of this trend.

Of course, there are pros and cons for hotel owners with respect to these food and beverage (F&B) agreements. Tenzer would know, having played a role in Miami's growing **hotel** market. His firm has recently handled transactions for hotel groups such as Eden Roc, Marriott and Hard Rock.

GlobeSt.com caught up with Tenzer to discuss what he's seeing in the **hospitality industry**, the advice he has to offer for hotel owners looking to increase their bottom lines, and the economics behind partnering with high-end F&B providers in part one of this exclusive interview. Be sure to come back this afternoon for part two.

GlobeSt.com: What trends are you seeing in the hospitality industry?

Tenzer: Hotel owners have been outsourcing their F&B operations to third-party F&B providers on the expectation that the F&B provider's brand will help turn the hotel's F&B department around. Owners are giving these third-party providers the "keys" to the F&B kingdom, allowing them to run the hotel's F&B department, open restaurants and bars, and sometimes even giving them the opportunity to brand some of the hotel rooms.

GlobeSt.com: What suggestions do you have for hotel owners looking to increase their bottom lines?

Tenzer: Making the F&B component profitable—which, more often than not, is not the case—is a good place to start. F&B services delivered by experienced providers with brand power can increase F&B profitability. Sometimes, positive upticks in both average daily room rates and occupancy levels result, especially in cases when rooms are branded with the F&B provider's name.

GlobeSt.com: What are the economics behind the trend of boutique hotel owners partnering with high-end F&B providers?

Tenzer: Hotel owners should expect to foot the bill for any construction or renovations associated with the project. In exchange for their services, F&B providers usually receive a base management fee and, sometimes, an incentive fee. The base management fee typically ranges from 2% to 3% of revenue, and the incentive fee varies much more, but a good benchmark is usually 10% of the profit.