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Burger Binges at Red Robin Fuel Hospitality Hiring Spree: Retail

By Jeff Green and Leslie Patton - Jul 22, 2013

Katie Nelson, general manager at Bar Louie in Chicago's River North neighborhood, recently called the chain's headquarters with some good news: Business is booming. Then she made a plea for money to hire 20 employees.

"We're hiring a ton right now," Nelson said on a Friday evening as her outdoor patio filled up with diners sipping Goose Island Matilda pale ale and munching flatbread pizzas. "Whenever we get new people trained, we still need more."

Bar Louie's newest dishwashers, cooks and servers owe their jobs to U.S. consumers who are spending more on dining, amusement parks and other close-to-home activities. Fresh crews streaming into restaurants from [Red Robin Gourmet Burgers Inc. \(RRGB\)](#) to [Domino's Pizza Inc. \(DPZ\)](#) lifted the number of leisure and hospitality jobs to a [record 14.2 million](#) in June, with hiring 80 percent stronger so far this year than in 2012. The sector now accounts for about 10.5 percent of the U.S. workforce, also a record since the government started tracking the jobs in 1939.

"We're definitely seeing that people are coming out more frequently and we're seeing a growth in transactions," said Charlie Morrison, chief executive officer of Richardson, Texas-based Wingstop Restaurants Inc., which this year is adding about 1,000 workers and 70 locations. "This is our best year since the recession."

The looser spending that's lubricating date-night bar tabs and higher traffic at casual-dining restaurants also is paying off for investors. So far this year share prices have risen 28 percent at [Starbucks Corp. \(SBUX\)](#) 29 percent at [Dunkin' Brands Group Inc. \(DNKN\)](#) and 52 percent at [Sonic Corp. \(SONC\)](#), all outstripping the 19 percent advance in the Standard & Poor's 500 Index.

6 Million Diners

Sales at U.S. restaurants and bars will reach a record \$461.3 billion this year, a 3.8 percent gain from 2012, the [National Restaurant Association](#) in [Washington](#) estimates.

Even with the U.S. [unemployment rate](#) stuck above 7 percent for a 55th straight month in June, the

economy has regained 6 million jobs in recent years. That's 6 million more people who can afford to go out, said Michael Montgomery, U.S. economist at IHS Global Insight in Lexington, [Massachusetts](#).

"Discretionary spending is under less stress," Montgomery said, adding that there's also less pressure from the price of gasoline, which ended June about the same as two years earlier. "It was harder for people to find money for food away from home when gasoline prices kept going up."

That means more jobs for restaurant workers, amusement park employees and crews at golf courses, all of which count as leisure and hospitality industry jobs. The sector added 75,000 employees in June, including 52,000 for food service and drinking places, leading all groups, according to the U.S. Bureau of Labor Statistics.

Domino's Tents

"Employment tends to drive a lot of the overall picture for restaurants," said David Tarantino, a Milwaukee-based restaurant analyst at Robert W. Baird. People with jobs "don't necessarily have as much time to cook."

Domino's Pizza is putting final touches on its first-ever national hiring week, Patti Wilmot, executive vice president of human resources at the Ann Arbor, Michigan-based company, said in an interview. The pizza chain plans to advertise its hiring week on television and set up tents outside stores with hot slices of pizza and information about the company.

The chain so far this year has hired between 3,000 and 3,500 workers at its U.S. corporate-owned locations, which is more than last year, she said

"We could easily add 7,000 team members," Wilmot said. "Our stores have never been busier."

It's a pattern repeated nationwide as chains expand and other restaurants spring up. Some 12,000 new restaurants were added last year, the most since 2007.

Chain Expansion

Sonic, whose carhops serve food to diners parked in their cars, is adding locations on the West Coast. The Starbucks unit [Seattle's](#) Best Coffee opened 10 drive-thru stores in [Texas](#) in May, adding about 150 jobs. Red Robin on July 1 issued a statement seeking to hire 100 workers who agree "the sizzle of burgers on the grill is music to your ears" for a new location in Springfield, [Illinois](#), about 200 miles southwest of [Chicago](#).

Addison, Texas-based [Bar Louie](#), which sells dirty martinis and tempura shrimp, is opening locations and looking to fill positions. In August, the 71-location chain will hold job fairs in Ashburn, [Virginia](#);

[Greece](#), New York; and [Boston](#).

Steve Davidson, 52, said he decided to open one of the 70 new airplane-themed Wingstop restaurants in January in Warren, Michigan, after 32 years in the industry working for other people. He has 12 employees now and may hire more later this year in time for the U.S. football season when fans gather in greater numbers for chicken wings and beer, he said. Next year, he said he plans to open a second store.

‘Steady Gain’

“I was encouraged by the economic outlook,” said Davidson, taking a break from serving the lunch crowd, many from the nearby General Motors Co. technical center that is booming again after the automaker’s 2009 bankruptcy.

“The last 30 days or so we’ve seen another 10 to 15 percent improvement, and it’s been kind of a steady gain like that each week,” Davidson said.

The improving outlook is unleashing bigger spenders, said Scott Rick, an assistant professor of marketing at the University of [Michigan Stephen M. Ross School of Business](#) who studies the emotional causes of consumer financial decisions. He classifies about a quarter of consumers as tightwads who resist spending, and another quarter as spendthrifts, or enthusiastic consumers. The rest of us, Rick says, fall in the middle.

‘Spendthrifts’ Back

“The spendthrifts are bouncing back” after the last recession, he said. “People are very willing to look for positive signs and they can be influenced even by the idea that they are going to earn more in the future.”

For Mark Miller, 28, eating out wasn’t an option after his 2007 graduation from the College for Creative Studies in [Detroit](#) with a degree focused on auto design. In 2010, a friend helped him get hired at GM and now he says he can eat out two or three times a week, often with his fiancée.

“I couldn’t afford to eat out at all before,” Martin said. “It’s a lot easier now.”

While the number of jobs at restaurants is soaring, the wages trail other industries. The workers in the sector averaged about \$13.46 an hour in June, less than the \$24.01 average for all workers, according to BLS data. The employees in the entertainment sector also averaged about 26 hours a week, meaning many don’t qualify for benefits, according to the data.

Amusement Centers

For now, everyone should benefit from the expansion, said Jon Luther, chairman of Roark Capital's Arby's Restaurant Group Inc. and a director at Chili's owner [Brinker International Inc. \(EAT\)](#) and amusement park operator Six Flags Entertainment Corp.

"There's still a work ethic in this country, and extended unemployment only goes so far, and if opportunities come up that are \$12 or \$13 an hour, people take them" until something higher-paying opens up, Luther said. He retired in May as chairman of Dunkin' and was on the board of Roark's Wingstop before taking the chairman spot at Arby's.

Employment at amusement parks and arcades, like those at restaurants, was at a record in May, the most recent month for that level of detail, according to BLS data. The May total was a 33 percent gain from the June 2009 recessionary low.

The improvement is evident to Rick Iceberg, president at C.J. Barrymore's, a complex in Clinton Township, Michigan, that bridges the world of restaurants and amusement centers. The sprawling venue with go-karts, batting cages and bowling is adding a 6,500-square-foot arcade in October.

"This is my third recession at this job, so I knew what to expect," said Iceberg, who will have to hire more workers for the expansion. "You can tell it's getting better."

To contact the reporters on this story: Jeff Green in Southfield, Michigan at jgreen16@bloomberg.net; [Leslie Patton](#) in Chicago at lpatt05@bloomberg.net.

To contact the editors responsible for this story: Tom Giles at Tgiles5@bloomberg.net; Kevin Miller at kmiller@bloomberg.net

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